POLICY AND RESOURCES COMMITTEE MEETING

Date: Wednesday 25 November 2020
Time: 6.30 pm
Venue: Remote Meeting - The public proceedings of the meeting will be broadcast live and recorded for playback on the Maidstone Borough Council website.

Membership:

Councillors Brice, M Burton, Chappell-Tay, Clark, Cox (Chairman), English, Mrs Gooch, Harvey, McKay, Mortimer, Newton, Perry (Vice-Chairman), Round, Springett and de Wiggondene-Sheppard

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

Issued on Tuesday 17 November 2020

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

MAIDSTONE
Borough Council

PART II

To move that the public be excluded for the items set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

INFORMATION FOR THE PUBLIC

In order to ask a question at this remote meeting, please call **01622 602899** or email **committee@maidstone.gov.uk** by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Monday 23 November 2020). You will need to provide the full text in writing.

If your questions is accepted, you will be provided with instructions as to how you can access the meeting.

In order to submit a written statement in relation to an item on the agenda, please call **01622 602899** or email **committee@maidstone.gov.uk** by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Monday 23 November 2020). You will need to tell us which agenda item you wish to comment on.

If you require this information in an alternative format please contact us, call **01622 602899** or email **committee@maidstone.gov.uk**.

To find out more about the work of the Committee, please visit www.maidstone.gov.uk.

Should you wish to refer any decisions contained in these minutes to **Council**, please submit a Decision Referral Form, signed by **five** Councillors, to **the Mayor** by: **25 November 2020**

MAIDSTONE BOROUGH COUNCIL

POLICY AND RESOURCES COMMITTEE

MINUTES (PART I) OF THE MEETING HELD ON WEDNESDAY 21 OCTOBER 2020

Present: **Councillors Brice, M Burton, Chappell-Tay, Clark, Cox, English, Mrs Gooch, Harvey, McKay, Mortimer, Powell, Round, Springett and de Wiggondene-Sheppard**

Also Present: **Councillors Garten, Harper, Kimmance and J Sams**

46. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Newton.

47. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Powell was present as Substitute for Councillor Newton.

48. URGENT ITEMS

A nomination form for an Outside Body vacancy had been received from Councillor Harper, published in the Amended Agenda and would be taken as an urgent item under Item 13 – Reports of Outside Bodies.

49. NOTIFICATION OF VISITING MEMBERS

Councillors Garten, Harper and Kimmance were in attendance as Visiting Members for Item 13 – Reports of Outside Bodies.

Councillor J Sams was present as a Visiting Member for Item 16 – Council-Led Garden Community Update.

50. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

51. DISCLOSURES OF LOBBYING

Councillors Clark, Mrs Gooch, Harvey, McKay, Mortimer and Perry were lobbied on Item 13 – Reports of Outside Bodies.

Councillor Chappell-Tay had been lobbied on Item 14 – Strategic Plan Review – Update on priority milestones.

Councillors Brice, Chappell-Tay and Mortimer had been lobbied on Item 15 – Biodiversity and Climate Change Action Plan.

Councillors Brice, M Burton, Chappell-Tay, Clark, Cox, English, Harvey, McKay, Mortimer, Perry, Powell, Springett and de Wiggondene-Sheppard had been lobbied on Item 16 – Council-Led Garden Community Update.

Councillor English had been lobbied on Item 17 – Property Acquisition.

52. EXEMPT ITEMS

RESOLVED: That Item 17 – Property Acquisition be taken in private due to the possible disclosure of exempt information.

53. MINUTES OF THE MEETING HELD ON 16 SEPTEMBER 2020

RESOLVED: That the Minutes of the meeting held 16 September 2020 be agreed as a correct record of the meeting and signed at a later date.

54. PRESENTATION OF PETITIONS

There were no petitions.

55. QUESTIONS AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were three questions from members of the public.

Question from Ms Gail Duff to the Chairman of the Policy and Resources Committee

'It is understood that Maidstone Borough Council's Planning Officers are now classifying current significant residential planning applications in the Stour Valley catchment area as 'invalid' given Natural England's recent advice on nutrient pollution. We have also learnt recently that the Mountfield Park 4,000 home garden community in Canterbury has been indefinitely delayed by this matter. Will this committee agree that Natural England's recent guidance is another major setback which will inevitably add to the costs of the scheme and when combined with the ever increasing list of other issues, only prove that 'Heathlands' is unviable, unsustainable and undeliverable. In effect also 'invalid?'

The Chairman responded to the question.

Question from Ms Kate Hammond to the Chairman of the Policy and Resources Committee

'A key requirement of a garden community is to have local support. The update report before you tonight correctly confirms that Lenham Parish Council do not support the proposal nor do the local residents group, Save Our Heath Lands. It fails to report that MBC have not communicated with local residents about this highly contentious project since January. The proposed modus operandi is frankly an insult to local residents and will not be entertained at any time. How does the Council plan to convince the Government and Planning Inspector that this scheme has local support?'

The Chairman responded to the question.

Ms Hammond asked the following supplementary question:

'Save Our Heathlands are a local residents speaking up for our comm, so far we have been told by CE and lead director for the project that they will only meet with our group subject to us keeping our discussions private and not to divulge with our neighbours, equally seeking participation from us to be involved in a twin-track process behind the scenes to help the council formulate the proposal, whilst continuing to campaign against the proposal in public…our takeaway is that the council doesn't have any respect for local residents and would do what they want anyway. We would like to ask the Chairman if he thinks the behaviour of senior officers is appropriate for community engagement?'

The Chairman responded to the question.

Question from Mr Steve Heely to the Chairman of the Policy and Resources Committee

'The second stage masterplan for the council-led Heathlands garden community at Lenham sees the existing Sewage Treatment Works as the central focal point for over 1,500 new homes in the third phase of the project. Most new developments opt for a new village green or art installation. Is this what the Council aspires to in its quest to 'lead master planning and invest in new places which are well designed?'

The Chairman responded to the question.

Mr Heeley asked the following supplementary question:

'Can you tell us what you are going to do about the waste-water treatment works at the centre of your master plan?'

The Chairman responded to the question.

The full responses were recorded on the webcast and made available to view on the Maidstone Borough Council website.

To access the webcast recording, please use the link below:
https://www.youtube.com/watch?v=aRfRnrA4Ths

56. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

57. COMMITTEE WORK PROGRAMME

RESOLVED: That the Committee Work Programme be noted.

58. REPORTS OF OUTSIDE BODIES

Councillor English withdrew his nomination form.

Councillors Garten, Harper and Kimmance were invited to address the Committee in respect of their applications to be appointed as Council Representative to the One Maidstone BID Advisory Board. There were two positions available.

RESOLVED: That

1. Councillors Harper and Kimmance be elected as the Councils Representatives to the One Maidstone BID Advisory Board; and

2. The Committee express their thanks to Councillors English and Garten for their service as Council Representatives to the One Maidstone BID Advisory Board over the past year.

59. STRATEGIC PLAN REVIEW - UPDATE ON PRIORITY MILESTONES

The Chief Executive introduced the report and highlighted that the review of delivery against the strategic plan was taking place in the context of significant financial pressures in the current and medium-term future. The decisions made during the Committee's previous meeting, related to net-cost reduction and the review of service delivery. The Chairs and Vice-Chairs of the Service Committees continued to be consulted on the changes proposed. Recent officer action had been focused on setting a balanced budget for 2021/22.

Member briefings would continue to take place in advance of decision-making, with a briefing on the Hazlitt Theatre having taken place and a further briefing planned prior to the next meeting of the Communities, Housing and Environment Committee.

The Committee expressed support for the work undertaken by the Chief Executive and Council Officers. The use and importance of the Council's reserves given the current financial situation was highlighted.

RESOLVED: That the report be noted.

60. BIODIVERSITY AND CLIMATE CHANGE ACTION PLAN

The Head of Policy, Communications and Governance introduced the report, following the Climate Change motion agreed by Full Council in April 2019. The Biodiversity and Climate Change Working Group (BDCCWG) had determined that with all reasonable actions, current technology and government policy it would not be possible to achieve a carbon neutral borough by 2030. It was proposed that the Council's estate would be carbon neutral by 2030, with a net zero borough by 2050, which would align the Council with the targets of Kent County Council and the Government.

Grant funding would be used wherever possible to mitigate the projected £750k shortfall. The wider leadership team had been consulted during the action plan's creation to ensure its feasibility, which was to be viewed as a live document and subject to change where necessary.

In response to questions, the Head of Policy, Communications and Governance confirmed that any decisions resulting from the action plan would be taken by the relevant Committee, with the future governance options for Biodiversity and Climate Change functions to be presented to the Democracy and General Purposes Committee. The Overview and Scrutiny Officer Biodiversity and Climate Change confirmed that the figures given for fly-tipping had been agreed with the relevant Head of Service dependant on the service's need. The £529k estimated cost to increase trees in the borough had been calculated based on the number of trees per hectare, the number of hectares needed and the cost of buying the land and planting the trees.

Several Members expressed concerns that electric vehicles were not mentioned within the Strategy or Action Plan, due to the importance of motor vehicles in rural areas of the borough. It was felt that the ambition of a net zero borough by 2050 was unnecessary, given the ambition of a carbon neutral borough by 2030 if technology and national policy changes allowed.

RESOLVED: That

1. The Council commits to the following:

    a. A carbon neutral Council estate by 2030

    b. An ambition of a carbon neutral Borough by 2030, if technology and national policy changes allow;

2. The Biodiversity and Climate Change Strategy be adopted, subject to the replacement of the first line within the 'We Will' section of Theme 1 of the Strategy, as shown in Appendix 1 to the report, with the text shown below:

    'Use the Local Plan to ensure it supports walking, cycling, public transport and the use of electric vehicles where the opportunity arises'

3. The Biodiversity and Climate Change Action Plan be adopted as a living document and be updated as needed to deliver the Strategy and targets, subject to the inclusion of the above wording to Action 1.2 under Theme 1, with the Overview and Scrutiny Officer Biodiversity and Climate Change given delegated powers to amend the 'Outcome' column as necessary;

4. The funding for the plan be delivered from the £1million previously identified for this purpose, recognising that it will need to;

a. Deliver further invest-to-save initiatives where possible that pay back to the pot for further Biodiversity and Climate Change investment; and
b. Prime projects to be in a position to secure 'shovel ready' funding and any other available sources of external funding; and

5. The Head of Policy, Communications and Governance be requested to bring a report to Democracy and General Purposes Committee outlining the Committee structure options for Biodiversity and Climate Change functions, including a dedicated Overview and Scrutiny Committee, or having Overview and Scrutiny functions embedded in the Communities, Housing and Environment Committee.

61. COUNCIL-LED GARDEN COMMUNITY UPDATE

The Director of Regeneration and Place introduced the report and highlighted the recently published Stantec Report that considered the three proposed Garden Communities against various criteria. The report concluded that the Heathlands Garden Community could be included within the Local Plan Review, with further exploration advised on the proposal's connectivity, western parcels, relationship with Lenham Heath and the land north of the railway line. The Strategic Planning and Infrastructure Committee would decide on the site's inclusion during the 9 November 2020 meeting.

As land promoter, the Council would be meeting with the Local Planning Authority to discuss the proposal, followed by submitting written representation. Homes England had received approval to increase spending on the project to £250k, with a further decision on the proposed £1.5m investment to be taken in February 2021. The landowners within the proposal were aware of the current situation, with a plan focused on community engagement to be presented to the Committee at a later date.

The Director of Regeneration and Place confirmed that the funding set aside for the project had been included within the Council's approved capital funds.

RESOLVED: That the content of the report be noted.

62. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information for the reason specified, having applied the Public Interest Test:

Head of Schedule 12A and Brief Description

Property Acquisition	3 – Financial/Business Affairs

63. PROPERTY ACQUISITION

The Housing Delivery Manager introduced the report and referenced the Committee's decision of January 2020, to develop and acquire up to 200 homes for affordable housing between 2020-2025 with £30m capital funding.

A conditional offer from the Council for a new acquisition had been accepted, with surveyors and solicitors commissioned to undertake works on the condition of the building and the due diligence related to the purchase. This included warranties for the roof repairs conducted by the owner. The Council had applied for a capital grant from the Ministry of Housing, Communities and Local Government (MHCLG) to support the refurbishment of the property.

The Committee supported the purchase and questioned some of the operating arrangements that would be in place, if agreed. The Housing Delivery Manager confirmed that details had not been finalised and could be discussed with the Ward Members.

The Director of Regeneration and Place highlighted the success of the relevant teams in securing grant income to the Housing Services, with a reduction in the base budget being considered as a result alongside the Director of Finance and Business Improvement.

RESOLVED: That

1. Officers carry out further due diligence work and progress negotiations with Company A reporting the outcome of the further due diligence work to the Director of Finance and Business Improvement;

2. The Director of Finance and Business Improvement be granted delegated authority subject to satisfactory conclusion of the due diligence work, to enter into a property sale transaction with Company A for Property A for the Sum A (inclusive of any VAT), together with any related appointments, legal actions, deeds and agreements which may be required to facilitate the purchase and subsequent refurbishment works required;

3. The Head of Mid Kent Legal Services be authorised to instruct and appoint the solicitors required to complete the necessary contract documentation and agreement associated with the purchase, refurbishment works and consultancy services provided for Property A on the terms as agreed by the Director of Finance and Business Improvement and to sign and execute all deeds, agreements and ancillary documents as may be necessary in order to deliver this project;

4. The Director of Finance and Business Improvement is granted delegated authority to appoint a management organisation on

agreed terms to manage the property and to procure and award such contracts for any service, including repairs and maintenance contracts as necessary; and

5. The management arrangements and community engagement strategy for this premises be drawn up in consultation with the relevant Ward Members.

64. DURATION OF MEETING

6.30 p.m. to 8.51 p.m.

Agenda Item 12

2020/21 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Financial Hardship Update	P&R	16-Dec-20	Officer Update	?	Steve McGinnes	Steve McGinnes
Archbishop's Palace Options Appraisal	P&R	16-Dec-20	Asset Management	Yes	Mark Green	Lucy Stroud
Office Provision	P&R	16-Dec-20	Officer Update	Yes	Mark Green	Georgia Hawkes
Fees and Charges 2020/21	P&R	16-Dec-20	Governance	No	Mark Green	Ellie Dunnet
Council Led Garden Community Update	P&R	16-Dec-20	Officer Update	?	William Cornall	William Cornall
Heather House	P&R	20-Jan-21	Officer Update		Wiliam Cornall	Wiliam Cornall
Collection Fund adjustment 2020/21 and Council Tax Base 2021/22	P&R	20-Jan-21	Governance	No	Mark Green	Ellie Dunnet
Council Led Garden Community Update	P&R	20-Jan-21	Officer Update	?	William Cornall	William Cornall
Medium Term Financial Strategy - Capital Programme 2021/22 - 2025/26	P&R	20-Jan-21	Governance	Yes	Mark Green	Ellie Dunnet
Medium Term Financial Strategy & Budget Proposals 2021/22	P&R	20-Jan-21	Governance	Yes	Mark Green	Ellie Dunnet
Council Led Garden Community Update	P&R	10-Feb-21	Officer Update	?	William Cornall	William Cornall
Medium Term Financial Strategy & Budget Proposals 2021/22 - Final	P&R	10-Feb-21	Governance	No	Mark Green	Ellie Dunnet
Q3 Budget, Performance and Risk Management 2020/21	P&R	10-Feb-21	Officer Update	No	Mark Green	Ellie Dunnet
Asset Management Strategy	P&R	TBC	Strategy Update	Yes	Mark Green	Georgia Hawkes
Commissioning and Procurement Strategy	P&R	TBC	Strategy Update	Yes	Mark Green	Georgia Hawkes

NOMINATION FORM TO OUTSIDE BODY

Date: **16 November 2020**

NAME:	**Councillor John Perry**
ADDRESS:	Couchman Green Barn Couchman Green Lane Staplehurst Kent TN12 0RR
TELEPHONE NO:	+44 7770734741
NAME OF ORGANISATION APPLYING FOR:	Upper Medway Internal Drainage Board
ROLE APPLYING FOR:	Maidstone Borough Council Representative on the Board of the Upper Medway Internal Drainage Board
REASON FOR APPLYING:	I was appointed to the Board in 2018 in order take over from a colleague. I took part in the discussions on the annual charge to be levied on Councils and helped to ensure it was restricted to a level in line with the recommendation of Maidstone Borough Council. I live in an area that has a very complex drainage system, which feeds into the River Beult and I am very familiar with the issues involved.
WHAT SKILLS AND EXPERIENCE COULD YOU BRING TO THE ORGANISATION?:	As well as being a Borough Councillor I am Vice-Chairman of Staplehurst Parish Council. I have an MBA from one of the UK's leading business schools and I am a Fellow of the Chartered Association of Certified Accountants. I run my own consultancy business and I believe these skills would be useful in the role of Board Member

POLICY & RESOURCES COMMITTEE	**25 November 2020**

2nd Quarter Finance, Performance and Risk Monitoring Report 2020/21

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service	Mark Green, Director of Business Improvement
Lead Officer and Report Authors	Ellie Dunnet, Head of Finance Paul Holland, Senior Finance Manager (Client) Carly Benville, Senior Business Analyst Russell Heppleston, Deputy Head of Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

This report sets out the 2020/21 financial and performance position for the Council, including services reporting directly into the Policy & Resources Committee (PRC) as at 30th September 2020 (Quarter 2). The primary focus is on:

- 2020/21 Revenue and Capital budgets;
- 2020/21 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045;
- Corporate Risk Register

The combined reporting of the financial and performance position enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues in their proper context, reflecting the fact that the financial and performance-related fortunes of the Council are inextricably linked. The report for this quarter has a particular focus on the impact the Covid-19 pandemic has had on the Council's financial position and performance.

At the request of the Committee in June 2020, the Corporate Risk Register has been added to enable Members to review how the key risks to the Council are being managed.

Budget Monitoring
With regard to revenue, at the Quarter 2 stage, the Council has incurred net expenditure of £1.812m against a profiled budget of £5.432m, representing an underspend of £3.620m. For the services reporting directly to PRC, net expenditure of -£1.912m has been incurred against a profiled budget of £2.303m, representing an underspend of £4.215m. These underspends arise largely from the timing of government grants and do not reflect the underlying financial

position. The forecast outturn position for the Council at year-end is a projected overspend of £0.156m.

With regard to capital, at the Quarter 2 stage, the Council has incurred overall expenditure of £9.608m against a budget allocation within the Capital Programme of £54.025m. It is anticipated that there will be slippage of £30.044m at year end. Expenditure for services reporting directly to PRC of £6.393m has been incurred against the budget at the end of Quarter 2, with forecast year end expenditure of £10.031m.

Performance Monitoring

A number of targets were missed due to the impact of Covid-19, although there were improvements in a number of other areas.

Corporate Risk Update

The risk register is forward looking and seeks to capture uncertainties on the horizon, in addition to addressing key risks directly linked to the delivery of our priorities. The risk profile has been updated to reflect the impact and uncertainties resulting from Covid-19, lockdown restrictions and the challenges facing our residents and local businesses. The risk register (appendix 3) details how the Council is responding to these risks and undertaking necessary preparations and actions to reduce likelihood and impact where possible to do so.

Purpose of Report

The report enables the Committee to consider and comment on the issues raised and actions being taken to address budget pressures, performance issues and corporate risks as at 30th September 2020

This report makes the following Recommendations to the Committee:

1. That the Revenue position as at the end of Quarter 2 for 2020/21, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.

2. That the Capital position at the end of Quarter 2 be noted.

3. That the Performance position as at Quarter 2 for 2020/21, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.

4. That the Risk Update, attached at Appendix 3 be noted.

5. That the uncollectable Non-Domestic Rates (NDR) listed on Appendix 4 be approved for write-off.

Timetable	
Meeting	***Date***

CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities. The Key Performance Indicators and strategic actions are part of the Council's overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.	Director of Finance and Business Improvement (Section 151 Officer)
Cross Cutting Objectives	This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.	Director of Finance and Business Improvement (Section 151 Officer)
Risk Management	This is addressed in Section 4 of this report.	Director of Finance and Business Improvement (Section 151 Officer)

Issue	Implications	Sign-off
Financial	Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities. Performance indicators and targets are closely linked to the allocation of resources and determining good value for money. The financial implications of any proposed changes are also identified and taken into account in the Council's Medium-Term Financial Strategy and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.	Senior Finance Manager (Client)
Staffing	The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports. Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.	Director of Finance and Business Improvement (Section 151 Officer)
Legal	The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget. There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.	Principal lawyer (Corporate Governance), MKLS

Issue	Implications	Sign-off
Privacy and Data Protection	The performance data is held and processed in accordance with the data protection principles contained in the Data Protection Act 2018 and in line with the Data Quality Policy, which sets out the requirement for ensuring data quality. There is a program for undertaking data quality audits of performance indicators.	Policy and Information Team
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change should one be identified.	Equalities and Corporate Policy Officer
Public Health	The performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	There are no specific issues arising.	Director of Finance and Business Improvement (Section 151 Officer)
Procurement	Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan.	Director of Finance and Business Improvement (Section 151 Officer)

1. BACKGROUND AND INTRODUCTION

1.1 The Medium-Term Financial Strategy for 2020/21 to 2024/25 - including the budget for 2020/21 - was approved by full Council on 26th February 2020. This report updates the Committee on how its services have performed over the last quarter with regard to revenue and capital expenditure against approved budgets.

1.2 The report particularly focuses on the impact of the Covid-19 pandemic on the financial position and performance of the service areas that fall under this committee, and provides some further detail around particular areas of concern.

1.3 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs), and an update covering corporate risks.

1.4 Attached at ***Appendix 1,*** is a report setting out the revenue and capital spending position at the Quarter 1 stage. Attached at ***Appendix 2,*** is a report setting out the position for the KPIs for the corresponding period. Attached at ***Appendix 3***, is a report providing an update on corporate risks, in response to the committee's previous request for regular updates on this subject. Attached at ***Appendix 4*** NNDR write-offs.

2. AVAILABLE OPTIONS

2.1 There are no matters for decision in this report. The Committee is asked to note the contents but may choose to take further action depending on the matters reported here.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 In considering the current position on the Revenue budget, the Capital Programme, KPIs and Corporate Risks at the end of June 2020, the Committee can choose to note this information or could choose to take further action.

3.2 The Committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position and/or the KPIs and Corporate Risks position.

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4. RISK

4.1 The Council agreed a balanced budget for both revenue and capital income and expenditure for 2020/21 in February 2020. However, the Covid-19 pandemic has had a significant impact since then. Corporate risks have been re-appraised, as reported to the Policy and Resources Committee at its meeting in June 2020. As a result, a regular quarterly review of the corporate risk register is now included as an appendix to this report.

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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The KPIs update ("Performance Monitoring") is reported to service committees quarterly: Communities, Housing & Environment Committee, Economic Regeneration & Leisure Committee and the Strategic Planning & Infrastructure Committee. Each committee will receive a report on the relevant priority action areas. The report is also presented to the Policy & Resources Committee, reporting on the priority areas of "A Thriving Place", "Safe, Clean and Green", "Homes and Communities" and "Embracing Growth and Enabling Infrastructure".

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The Quarter 2 Budget & Performance Monitoring reports are being considered by the relevant Service Committees during November and December 2020, including this full report to the Policy & Resources Committee on 25th

November 2020.

6.2 Details of the discussions which take place at Service Committees regarding financial and performance management will be reported to Policy and Resources Committee where appropriate.

6.3 The Council could choose not to monitor its budget and/or the Strategic Plan and/or make alternative performance management arrangements, such as the frequency of reporting. This is not recommended as it could lead to action not being taken against financial and/or other performance during the year, and the Council failing to deliver its priorities.

6.4 There is significant uncertainty regarding the Council's financial position beyond 2020/21, arising from the impacts of the Covid-19 crisis and the Council's role in responding to this. Future finance reports to this committee will ensure that members are kept up to date with this situation as it develops.

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7. REPORT APPENDICES

- Appendix 1: Second Quarter Budget Monitoring 2020/21
- Appendix 2: Second Quarter Performance Monitoring 2020/21
- Appendix 3: Second Quarter Corporate Risks Update 2020/21
- Appendix 4: NNDR write-offs

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8. BACKGROUND PAPERS

None.

Appendix 1

Second Quarter Financial Update 2020/21

Policy & Resources Committee
25th November 2020
Lead Officer: Mark Green
Report Authors: Ellie Dunnet/Paul Holland

Contents

Part A

Executive Summary & Overview

This report provides members with a financial update for the second quarter of 2020/21, covering activity for both the Council as a whole and this committee's revenue and capital accounts for this period, and a projected outturn for the year.

Members will be aware that since the budget was agreed in February, the position for 2020/21 and future years has changed significantly as a result of the Covid-19 pandemic. Specific impacts include:

- Redirection of existing resources to support vulnerable people
- Administering government support schemes, notably business rate reliefs and grants
- Increased activity in some council services
- Temporary closure of some Council facilities
- Reduction in levels of activity in some other Council services
- Income generating activities severely impacted by overall contraction in economic activity
- Change in working patterns, with almost all office-based staff now working from home
- Reduced levels of Council Tax and Business Rates collection.

This has resulted in many service areas reporting or projecting adverse variances against the budget for 2020/21, particularly in relation to income. The overall projection for the council as reported to government on our monthly financial monitoring returns is summarised in table 1 below, and shows that the potential impact of Covid-19 on the council's financial position is £7.237m. Councils have been ask to complete these returns to enable a comprehensive picture of the financial impact of Covid-19 on local authorities to be compiled by the Ministry of Housing, Communities and Local Government. The projections are based on the information available to finance officers at the time of submitting the return and are being regularly updated as the situation unfolds and further information becomes available.

	£000
Additional Spending	1,483
Income Reductions:	
Business Rates (MBC share)	760
Council Tax (MBC share)	721
Other Income	4,273
Total	**7,237**

Table 1, Covid-19 financial impact

It should be noted that the projections detailed within table 1 do not correspond to the in year budget outturn projections. This arises for several reasons.

- Due to the statutory accounting arrangements for council tax and business rates, these losses do not impact the general fund balance until next year.
- The variances above reflect an estimate of the financial impact of Covid-19, and do not take into account other factors which may impact on the budget outturn such as underspends that have the effect of mitigating Covid-19 related losses.
- The Covid-19 financial impact has been offset by both unringfenced government support and grants covering specific areas of expenditure.

To date, unringfenced financial support totalling £2.5m for MBC has been announced by the government. The council has also submitted a claim for lost income from sales, fees and charges under the government's compensation scheme. The initial claim covers the period between April and July and we are currently awaiting the outcome of this. Two further claims will be submitted (one in December 2020, the other in April 2021) covering the remainder of this financial year. Given the all-encompassing impact of Covid-19 across many of the council's services, mitigation for losses will be treated as a corporate exercise, and we will therefore not attempt to apportion unringfenced support received across service committees.

In addition to the unringfenced support, the council has received funding which can be clearly matched to additional expenditure, or outgoing grants. It is anticipated that these funding streams will be used in full to offset increased costs incurred in responding to the Covid-19 pandemic. Examples of such funding include the Reopening High Streets Safely Fund. Emergency Assistance Grant and the Local Authority Compliance and Enforcement Grant.

The impacts which arise from areas both within this committee's remit and the other three service committees are detailed within section B of this report.

The analysis also includes both revenue and capital year-end projections (to 30th September 2020), and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

The headlines for Quarter 2 are as follows:

Part B: Revenue Budget – Q2 2020/21

- At the Quarter 2 stage, the Council has incurred net expenditure of £1.812m against a profiled budget of £5.432m, representing an underspend of £3.62m. This underspend arises largely from the timing of government grants and does not reflect the underlying financial position.
- For the services reporting directly to PRC, net expenditure of -£1.912m has been incurred against a profiled budget of £2.303m, representing an underspend of £4.215m. However, the forecast outturn position for the Council at year-end is a projected shortfall of £0.156m. As explained above, the overspend for service reporting purposes differs from that shown in table 1.

Part C: Capital Budget – Q2 2020/21

- At the Quarter 2 stage, the Council has incurred overall expenditure of £9.608m against a budget allocation within the Capital Programme of £54.025m.
- It is anticipated that there will be slippage of £30.044m at year end. Expenditure for services reporting directly to PRC of £6.393m has been incurred against the budget at the end of Quarter 2, with forecast year end expenditure of £10.031m.

Part D: Local Tax Collection 2020/21

- Target collection rates for Council Tax were not met during the first half of the year. The target collection rate for business rates was slightly exceeded. Overall levels of both Council Tax and Business Rates collected are lower than at the corresponding point last year owing to Covid-19.

- Forecasts indicate that the Council will retain £0.3m through the Kent Business Rates Pool in 2020/21.

Part E: Reserves & Balances 2020/21

- The unallocated balance on the General Fund at 1 April 2020 was £8.8m. It is anticipated that this will decrease during the year, but that balances will remain above the minimum level set by Council.

Part F: Treasury Management 2020/21

- The Council held short-term investments of £10.43m and had £9.0m in outstanding borrowing as at 30th September 2020.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the first quarter of 2020/21 was £72,577. Rent arrears at 30 September 2020 totalled £4,858.

Part B

Second Quarter Revenue Budget 2020/21

B1) Revenue Budget: Council

B1.1 At the Quarter 2 stage, the Council has incurred net expenditure of £1.812m against a profiled budget of £5.432m, representing an underspend of £3.620m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 2 2020/21 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget £000	To 30 September 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance[1] £000
Policy & Resources	12,814	2,303	-1,912	4,215	10,330	2,484
Strategic Planning and Infrastructure	-1,068	-312	498	-810	405	-1,473
Communities, Housing & Environment	8,502	2,935	2,595	340	8,382	120
Economic Regeneration & Leisure	1,038	506	630	-124	2,326	-1,288
Net Revenue Expenditure	**21,287**	**5,432**	**1,812**	**3,620**	**21,443**	**-156**

Table 2: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by PRIORITY

Priority	Full Year Budget £000	To 30 September 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance[1] £000
Safe, Clean and Green	6,247	2,937	2,698	239	6,085	161
Homes and Communities	2,021	-61	-116	55	2,244	-223
Thriving Place	1,230	622	602	20	2,336	-1,106
Embracing Growth and Enabling Infrastructure	-997	-277	504	-782	475	-1,473
Central & Democratic	12,787	2,212	-1,877	4,089	10,303	2,484
Net Revenue Expenditure	**21,287**	**5,432**	**1,812**	**3,620**	**21,443**	**-156**

Table 3: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget £000	To 30 September 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance[1] £000
Employees	21,994	10,973	10,679	294	21,713	281
Premises	5,268	3,393	3,387	6	5,184	84
Transport	754	347	240	107	754	0
Supplies & Services	12,693	4,354	3,602	752	11,832	861
Agency	6,301	3,127	2,646	481	7,115	-814
Transfer Payments	44,554	18,459	18,767	-307	44,554	0
Asset Rents	1,041	0	0	0	1,041	0
Income	-71,317	-35,221	-37,509	2,287	-70,749	-568
Net Revenue Expenditure	**21,287**	**5,432**	**1,812**	**3,620**	**21,443**	**-156**

B2) Revenue Budget: Policy & Resources (PRC)

B2.1 Table 4 below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into PRC at the end of Quarter 2. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 2nd Quarter 2020/21)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Civic Occasions	42	31	13	18	42	0
Members Allowances	389	195	177	18	389	0
Members Facilities	29	15	18	-4	29	0
Contingency	333	165	-3,480	3,645	-2,192	2,525
Performance & Development	8	5	0	5	8	0
Corporate Projects	45	3	3	0	45	0
Press & Public Relations	38	21	11	10	38	0
Corporate Management	94	54	58	-4	94	0
Unapportionable Central Overheads	1,419	687	661	26	1,369	50
Council Tax Collection	54	29	45	-16	54	0
Council Tax Collection - Non Pooled	-358	27	42	-15	-358	0
Council Tax Benefits Administration	-152	-152	-146	-7	-152	0
NNDR Collection	1	1	1	-0	1	0
NNDR Collection - Non Pooled	-234	5	11	-6	-234	0
MBC- BID	0	-10	-14	5	0	0
Registration Of Electors	49	21	21	-0	49	0
Elections	168	1	2	-1	168	0
PCC Elections	0	0	6	-6	0	0
General Elections	0	0	0	-0	0	0
Emergency Centre	26	23	4	18	26	0
Brexit	0	0	-0	0	0	0
Medway Conservancy	120	60	60	0	120	0
External Interest Payable	2,062	0	32	-32	800	1,262
Interest & Investment Income	-100	-50	-18	-32	40	-140
Palace Gatehouse	-8	-4	-5	1	-8	0
Archbishops Palace	-97	-40	-44	4	-97	0
Parkwood Industrial Estate	-311	-151	-160	9	-279	-32
Industrial Starter Units	-34	-14	-8	-6	-34	0
Parkwood Equilibrium Units	-80	-38	-73	35	-118	38
Sundry Corporate Properties	-377	-189	-41	-148	-80	-296
Parks Dwellings	0	0	0	0	0	0
Phoenix Park Units	-208	-104	-115	10	-208	0
Granada House - Commercial	-109	-55	-67	12	-109	0
MPH Residential Properties	-280	-38	-45	7	-280	0
Heronden Road Units	-159	-82	-87	5	-159	0
Boxmend Industrial Estate	-92	-46	-63	17	-92	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Lockmeadow	-72	-36	49	-86	-42	-30
NEW Lockmeadow Complex	-812	-621	-997	375	-102	-710
Wren Industrial Estate	-143	-21	0	-21	-143	0
Pensions Fund Management	1,674	0	0	0	1,674	0
Non Service Related Government Grants	-4,472	-2,236	-2,244	8	-4,472	0
Rent Allowances	-147	-62	-280	218	-147	0
Non HRA Rent Rebates	-8	420	520	-100	-8	0
Discretionary Housing Payments	1	150	165	-15	1	0
Housing Benefits Administration	-357	-185	-181	-4	-357	0
Democratic Services Section	189	94	96	-1	189	0
Mayoral & Civic Services Section	115	57	48	9	115	0
Chief Executive	187	93	89	3	187	0
Communications Section	180	90	88	2	180	0
Policy & Information Section	271	120	84	36	271	0
Head of Policy and Communications	124	62	39	22	124	0
Revenues Section	504	341	331	10	504	0
Registration Services Section	142	71	58	13	142	0
Benefits Section	483	312	305	7	483	0
Fraud Section	32	-43	-48	6	32	0
Mid Kent Audit Partnership	233	122	-6	128	233	0
Director of Finance & Business Improvement	146	73	70	3	146	0
Accountancy Section	733	379	345	34	733	0
Legal Services Section	507	255	266	-11	507	0
Director of Regeneration & Place	145	72	70	3	145	0
Procurement Section	120	36	34	2	120	0
Property & Projects Section	466	231	207	23	466	0
Corporate Support Section	244	122	115	8	244	0
Improvement Section	351	179	189	-10	351	0
Executive Support Section	173	86	77	9	173	0
Head of Commissioning and Business Improvement	103	50	46	4	103	0
Mid Kent ICT Services	582	284	258	26	582	0
GIS Section	116	58	57	1	116	0
Customer Services Section	658	305	286	19	658	0
Director of Mid Kent Services	46	-24	-30	6	46	0
Mid Kent HR Services Section	398	199	181	18	398	0
MBC HR Services Section	111	55	3	52	111	0
Head of Revenues & Benefits	73	54	49	5	73	0
Revenues & Benefits Business Support	111	66	77	-10	111	0
Dartford HR Services Section	-20	-10	-10	0	-20	0
IT Support for Revenues and Benefits	39	29	31	-2	39	0
Emergency Planning & Resilience	21	10	-4	15	21	0
Salary Slippage 1PR	-261	-131	0	-131	-261	0
Town Hall	100	57	45	12	100	0
South Maidstone Depot	152	108	98	9	152	0
The Link	81	107	104	3	81	0
Maidstone House	1,083	852	811	41	1,050	33
Museum Buildings	273	181	222	-42	309	-36
I.T. Operational Services	577	299	310	-11	577	0
Central Telephones	15	7	3	5	15	0
Apprentices Programme	50	25	8	17	50	0
Internal Printing	-5	-3	-1	-1	-5	0
Debt Recovery Service	-36	49	-6	55	0	-36
Debt Recovery MBC Profit Share	-144	-72	45	-117	0	-144
General Balances	-215	-215	-215	0	-215	0
Earmarked Balances	6,244	-570	-570	0	6,244	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,041	0	1	-1	1,041	0
Pensions Fund Appropriation	-1,674	0	0	0	-1,674	0
Totals	**12,814**	**2,303**	**-1,912**	**4,215**	**10,330**	**2,484**

B2.2 The table shows that, at the Quarter 2 stage, for the services reporting directly to PRC, net expenditure of -£1.912m has been incurred against a profiled budget of £2.303m, representing an underspend of £4.215m. It should be noted that this forecast does not take into account further government support for income losses announced recently. The planned scheme will see councils absorbing losses of up to 5% of planned sales, fees and charges income, with the government compensating for 75p in every pound of 'relevant losses' thereafter. We are therefore confident that the position will improve from the forecasts set out in the tables above.

B3) PRC Revenue Budget: Significant Variances

B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 1.

Table 5: PRC Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000		
Contingency – The Council has received significant grant aid from the Government to deal with the financial pressures that have arisen from Covid-19. This funding will off-set Covid-19 related overspends in other service areas.	3,645		2,525
External Interest Payable – The budget for the year assumed a higher level of borrowing than we are now projecting, on the basis that the capital programme would have progressed further, therefore we are anticipating a significant underspend.		-32	1,262
Interest & Investment Income – There has been a drop in interest rates from what was initially forecast and combined with a Covid-19 related decision to keep funds in more liquid (but lower yield) accounts this means the projected year-end position will be lower than forecast.		-32	-140
Sundry Corporate Properties – Included within this budget is a budget strategy item from 2019/20 which was for additional income from property acquisitions. An acquisition was completed in August 2020 but there will only be a revenue benefit for part of the year.		-148	-296
Lockmeadow – This heading relates to MBC as freeholder. The budget was not yet fully in place following the purchase of the complex at the start of the year. Now that this exercise is complete it is anticipated that the budget variance will be zero at year-end.		-85	0
Lockmeadow Complex – This heading includes income due to the Council arising from the long leasehold interest that it acquired in 2019/20. Due to the closure of the complex during the lockdown period there will be a shortfall in the rental income expected for the current year in cash terms.	375		-710
Rent Allowances and Non-HRA Rent Rebates – The current variance is due to timing differences between payments made and income received from central government.	217		0
Mid Kent Audit Partnership – This variance has arisen from a budget underspend brought forward from 2019/20 and also from vacant posts. The year-end forecast assumes these posts will be filled during the remainder of the year.	128		0
Debt Recovery MBC Profit Share – This variance and the projected year-end outturn reflect the circumstances outlined above for the Debt Recovery Service.	-117		-144

B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, at the end of Q2.

Table 6: SPI Variances (2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – During the first part of the year there has been a 50% reduction in income for pre-application discussions and Planning Performance Agreements. This trend is expected to continue as the effects of Covid-19 continue to be felt. There are likely to be some underspends in running costs which will partly off-set the reduction in income.		-42	-90
Development Control – Majors – The impact of Covid-19 has now started to be seen in this budget, with income levels now lower than had been seen earlier in the year. However, the reduction is around 25%, which is lower than had been initially forecast at this stage, and it is assumed this will remain the case.		-57	-148
Development Control – Other – The reduction in income has been less than was initially forecast, around 10% for the year to date.		-34	-72
Mid Kent Planning Support Service – This variance reflects a number of vacancies in the team. It is anticipated these posts will be deleted as part of the savings proposals for next year.	77		110

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – The effects of Covid-19 have impacted all parking income, although it is recovering now, with a better level of income for the second quarter than was initially anticipated.		-137	-226

Residents Parking – Penalty Charge Notice income has dropped significantly, in part due to restrictions placed on collecting outstanding debts. Income from parking permits has remained at normal levels. This budget also saw a better than expected level of income in the second quarter.		-15	-50
Pay & Display Car Parks - The effects of Covid-19 have impacted all parking income, although it is recovering now. There was an initial increase in occupancy rates when the town centre re-opened, but this has now levelled off, with long stay car parks particularly affected.		-684	-800
Off Street Parking – Enforcement – Penalty Charge Notice income has dropped significantly, although as occupancy levels increase in the car parks the income levels should improve. This budget also saw a better than expected level of income in the second quarter.		-57	-113

Table 7: CHE Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Licencing – Due to the impact of Covid-19 a shortfall in income is now forecast for the end of the year.		-12	-125
Recycling Collection – Demand for green bins and wheeled bins continues to be high and is forecast to continue to increase for the remainder of the year.	81		110
Community Hub – The hub was set up to help vulnerable people in the community during the early stages of the Covid-19 outbreak. All the costs are expected to be funded by the end of the year via the grants received that were referenced earlier in the Contingency budget		-116	-116
Homelessness Temporary Accommodation – The forecast overspend arises from additional costs to accommodate rough sleepers during the lockdown. Additionally, under the emergency Covid-19 measures, landlords were prevented from evicting tenants during lockdown. This presents a possible risk of increased demand for temporary accommodation.	24		-106
Depot Operations – This covers the Fleet Workshop, MBS Support Crew and Commercial Grounds Maintenance. There are reduced costs in the workshop, and grounds maintenance has generated more income than had been forecast.	77		97

Table 8: ERL Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Museum – The museum was closed during the lockdown period, so there has been no opportunity for any income generating activities to take place.		-12	-71
Hazlitt Arts Centre – Although the theatre had remained closed throughout the first lockdown period, the Council has agreed to continue to honour the contractual payments for the first two quarters of the year.	46		-142
Mote Park Adventure Zone – The facility was closed during the lockdown period, and the contractor was granted contract relief in recognition of this. Although it re-opened subsequently there is unlikely to be a significant reduction in the shortfall for the year.		-102	-114
Mote Park Café – The café continues to be closed, so there is no income from it.		-24	-68
Market - The market was closed during the lockdown period, and consequently there was a significant drop in income. Although it has now re-opened the current forecast assumes that there will only be a gradual recovery.		-66	-93
Leisure centre – Following the closure of the leisure centre at the start of the lockdown period, Serco Leisure have indicated that they propose to take advantage of their contractual position and recover their losses from MBC, less £5,000 which would be payable by the Leisure Trust. Details remain subject to negotiation and the projected variance represents a preliminary view of the likely outcome. The projected variance may be mitigated if we are successful in bidding against the £100 million fund that the government has established to compensate leisure providers for loss if income during the pandemic. There is also a variance of £0.2m representing contractual payments due from Serco which are currently being withheld pending the outcome of the negotiations.			-700

B5) Virements

B5.1 In accordance with the Council's commitment to transparency and recognized good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.

B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.

B5.3 The virements made in Quarter 2 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 2nd Quarter 2020/21)

Description	From Budget	To Budget	Value £	Perm/Temp*
Financial Contribution toThames Gateway Kent Partnership	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	28,000	Temporary
Economic Recovery Interim Report	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	9,420	Temporary
Funding for Tractivity licence 2020/21	YA11 (Business Rates Growth Earmarked Balances)	EL21 (Town Centre Management Sponsorship)	6,950	Temporary
Subscription for Springboard Footfall Service	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	1,700	Temporary
Additional BRP funding for Heritage & Culture Officer	YA11 (Business Rates Growth Earmarked Balances)	SA14 (Cultural Services Section)	550	Temporary
Promotional Items for Events	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	250	Temporary
			46,870	

Part C

Second Quarter Capital Budget 2020/21

C1) Capital Budget: Council

C1.1 The overall five-year Capital Programme for 2020/21 to 2024/25 was approved by the Council on 26th February 2020. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).

C1.2 The 2020/21 element of the Capital Programme (including unused resources brought forward from 2019/20) has a total budget of £54.025m. At the Quarter 2 stage, capital expenditure of £9.608m had been incurred, an underspend of £44.359m. There is currently forecast to be total expenditure of £23.923m leaving slippage of £30.044m by the end of the year.

C2) Capital Budget: Policy & Resources Committee (PRC)

C2.1 Progress towards the delivery of the 2020/21 PRC element of the Capital Programme at the Quarter 2 stage is presented in Table 10 below. The budget for 2020/21 includes resources brought forward from 2019/20.

C2.2 At the Quarter 2 stage, expenditure of £6.393m has been incurred against a budget of £24.996m million for PRC. This is an underspend of £18.603m. There is currently forecast to be total expenditure of £10.031m, leaving slippage of £14.965m by the end of the year.

Table 10: Capital Expenditure (@ 2nd Quarter 2020/21)

Capital Programme Heading	Estimate 2020/21 £000	Actual to September 2020 £000	Budget Remaining £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Communities, Housing & Environment							
Housing - Disabled Facilities Grants Funding	1,577	241	1,336	150	200	591	986
Housing Investments	2,343	500	1,843	335	1,052	1,887	456
Brunswick Street - Costs of Scheme	4,233	1,672	2,561	1,269	1,292	4,233	0
Brunswick Street - Receipts	-1,502	-636	-866	-769	-97	-1,502	0
Union Street - Costs of Scheme	5,201	1,516	3,685	2,503	1,182	5,201	-0
Union Street - Receipts	-2,100	-599	-1,501	-744	-757	-2,100	0
Springfield Mill	1,807	8	1,799	900	899	1,807	0
Granada House Extension	1,664	12	1,652	114		126	1,538
Indicative Schemes	8,042	3	8,039	174		177	7,865
Affordable Housing Programme	1,315		1,315	138	264	402	913
Acquisitions Officer - Social Housing Delivery Partnership	80	34	46	23	23	80	0
Street Scene Investment	96	78	18	9	9	96	-0
Flood Action Plan	400		400	25	25	50	350
Electric Operational Vehicles	100		100	100		100	
Rent & Housing Management IT System	50		50				50
Installation of Public Water Fountains	15		15	15		15	
Commercial Projects - Cemetery Chapel Repairs	230		230	30	200	230	
Continued Improvements to Play Areas	297	23	274	50	50	123	174
Other Parks Improvements	99		99		99	99	-0
Total	**23,947**	**2,852**	**21,095**	**4,322**	**4,441**	**11,615**	**12,332**
Economic Regeneration & Leisure							
Mote Park Visitor Centre (inc.ESB)	2,053	4	2,049	20	20	44	2,009
Mote Park Lake - Dam Works	1,723	322	1,401	442	377	1,141	582
Museum Development Plan	125		125		125	125	
Total	**3,901**	**327**	**3,575**	**462**	**522**	**1,311**	**2,591**
Policy & Resources							
Asset Management / Corporate Property	1,748	62	1,686	300	75	437	1,311
Feasibility Studies	150	13	137	70	67	150	-0
Infrastructure Delivery	1,800		1,800				1,800
Software / PC Replacement	231	70	161	80	81	231	0
Digital Projects	20		20		20	20	
Acquisition of Commercial Assets	7,069	1,983	5,086			1,983	5,086
Kent Medical Campus - Innovation Centre	7,365	2,425	4,940			2,425	4,940
Garden Community	1,613	85	1,528	400	300	785	828
Biodiversity & Climate Change	1,000		1,000				1,000
Lockmeadow Ongoing Investment	4,000	1,755	2,245	2,245		4,000	-0
Total	**24,996**	**6,393**	**18,603**	**3,095**	**543**	**10,031**	**14,965**
Strategic Planning & Infrastructure							
Mall Bus Station Redevelopment	1,037	37	1,000	50	860	947	90
Bridges Gyratory Scheme	86		86	10	10	20	66
Total	**1,123**	**37**	**1,086**	**60**	**870**	**967**	**156**
Section 106 Contributions	57						
TOTAL	**54,025**	**9,608**	**44,359**	**7,939**	**6,376**	**23,923**	**30,044**

C3) Capital Budget Variances (@ 2nd Quarter 2020/21)

Policy and Resources Committee

C3.1 The most (financially) notable PRC items in the table above are as follows:

Acquisition of Commercial Assets – The only purchase to date this year has been the purchase of the Wren Industrial Estate.

Kent Medical Campus (Innovation Centre) – Works are continuing with the opening of the centre scheduled for summer 2021.

Garden Community – These are indicative figures at this stage. Members are making a number of decisions on the project which may lead to them being adjusted.

Lockmeadow Ongoing Investment – The majority of the forecast spend is for the external works on the centre that have were agreed by the Committee in April 2020 and are now substantially complete.

Communities, Housing and Environment Committee

C3.2 The most (financially) notable CHE items in the table above are as follows:

Housing Investments – Phase 4 of the purchase and repair scheme to acquire properties for temporary accommodation is now underway.

Brunswick Street and Union Street – Construction at both sites was delayed due to Covid-19, and both schemes are now around 4 months behind schedule, but they are both due to be completed by the end of the financial year.

Indicative Schemes – A number of schemes are being considered and are at various stages of development. Where a decision is taken to proceed a more detailed report will be brought forward for consideration as with two schemes which were considered at the last meeting of the Policy & Resources Committee.

Strategic Planning and Infrastructure Committee

C3.3 The most (financially) notable SPI items in the table above are as follows:

Mall Bus Station Redevelopment – work is progressing on the scheme with survey and design work being undertaken so far. It is anticipated that works will commence later in the year with completion due in early 2021.

Bridges Gyratory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is now expected to take place during this year.

Economic Regeneration and Leisure Committee

C3.4 The most (financially) notable ERL items in the table above are as follows:

Mote Park Visitor Centre – the project has been deferred for a year while the capital programme is reviewed in light of the Covid-19 pandemic. The budget retained for this year will enable preliminary work such as architecture and design to proceed.

Mote Park Lane – Dam Works – the project is now under way and should be completed by the end of the financial year.

Part D

Second Quarter Local Tax Collection 2020/21

D1) Collection Fund

D1.1 The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.

D1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.

D1.3 There are statutory accounting arrangements in place which minimise the in year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets

D2) Collection Rates & Reliefs

D2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target.

Table 11: Local Tax Collection Rates (Q2 2020/21)

Description	Target	Actual
	%	%
Council Tax	55.30%	54.93%
Business Rates	56.30%	56.52%

D2.2 Note that although these collection rates are close to target, the targets have been adjusted in the light of what is currently considered to be collectible. The amount of Council Tax collected is 4.2% below the level achieved at this time last year and the amount of Business Rates collected is 4% below the level achieved at this time last year.

D2.3 Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall collection rate.

D2.4 Since the start of lockdown, hardship fund discounts of £150 have been awarded to 6,644 working age local council tax support (LCTS) recipients, using funding from the government's Covid-19 Hardship Fund scheme. A 12% increase in LCTS caseload has been observed since pre-Covid-19 budget expectations were set for 2020/21.

D2.5 The collection of business rates marginally exceeded performance during the first quarter of the year. It should be noted that as part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for its lost business rates income through grants which are expected to amount to £25.2m. This has improved the council's cash flow position for 2020/21, and also reduced risks associated with non-collection, to some extent.

D2.6 The grants do introduce some additional risks and complications to future business rates income. Firstly, if businesses cease trading during 2020/21 then the entitlement to rates relief is lost and the council will need to repay its share of the compensating grant to government. Secondly, since the reliefs were announced after councils had set their budgets for 2020/21, the reduction in income from business rates will create a significant deficit within the collection fund. It will be necessary to set aside a proportion of the grants to make good this deficit over the coming years. The future of the government's relief scheme will not be known until later in the year.

D3) Kent Business Rates Pool

D3.1 The council has continued to participate with other Kent authorities during 2020/21 in order to maximise the proportion of business rates growth it is able to retain. Forecast pooling gains for Maidstone Borough Council amount to £0.3m for 2020/21. As in previous years, this funding is allocated to spending which supports the delivery of the council's Economic Development Strategy.

D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. The additional reliefs and associated grant funding mentioned previously within section D2 help to minimise the risks of pooling during 2020/21.

D3.3 The eventual impact of Covid-19 on the business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. how long the government's containment and business support measures will be in place for, and the longer term impacts on local, national and global economies.

D3.4 Some external analysis has therefore been commissioned to inform thinking around the future of the Kent Business Rates Pool. The results of this initial work indicate that pool members would need to incur uniform reductions in business rates income of over 11.9% before the pool would make an overall loss. At present, none of the pool members are forecasting losses at or close to this level, however, we will continue to monitor this closely.

D4) Write-Offs

D4.1 The Committee is asked to approve the write off of £69,381 in unpaid Business Rates debt identified in Appendix x. Please note that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

D4.2 As noted above, the Council takes a robust approach to recovery of Business Rates. This involves progressive action which would typically include:

- Reminder for non-payment
- Final notice for non-payment
- Summons for non-payment
- Application to Magistrates Court for a Liability Order
- Instruction of Enforcement Agent to recover
- Bankruptcy or liquidation, where appropriate
- Proceeding to seek committal to prison (individuals).

D4.3 However, throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.

D4.4 The Council could continue to hold these debts as outstanding, but this option is not recommended as there is no prospect of recovery and this would distort the financial position of the Council.

D4.5 For the businesses listed in Appendix x, the Council has exhausted all of the recovery processes in trying to collect the unpaid amounts. It is therefore suggested that these amounts are written off and the Council's accounts are amended to reflect the fact that the payments identified are not expected to be recovered. The Council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs.

Part E

Reserves & Balances 2020/21

E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2020 was £16.6 million. The makeup of the balance, and the forecast movements during 2020/21 are presented in Table 13 below. The provisional year end position reflects an overall reduction of £2m in the unallocated general fund balance, however there are a number of factors which may alter this forecast over the coming months.

E1.2 The closing balance enables a minimum general fund balance of £2.0 million to be maintained, as agreed by full Council in February 2020.

Table 13: Reserves & Balances forecast 2020/21

	Balance at 1 April 2020	Forecast movement in 2020/21	Estimated Balance at 31 March 2021
		£000	
General Fund			
Unallocated balance	8,819	-156	8,663
Sub-total	**8,819**	**-156**	**8,663**
Earmarked Reserves			
Local Plan	309	-309	0
Neighbourhood Plans	75	0	75
Planning Appeals	286	0	286
Civil Parking Enforcement	165	-130	35
Homelessness Prevention & Temporary Accommodation	681	-103	578
Business Rates Growth Fund	3,887	-266	3,621
Occupational Health & Safety	31	0	31
Lockmeadow Complex	335	0	335
Future Funding Pressures	1,589	-1,589	0
Trading Accounts	30	-30	0
Future Capital Expenditure	432	-432	0
Sub-total	**7,820**	**-2,859**	**4,961**
Total General Fund balances	**16,639**	**-3,015**	**13,624**

Table 13: General Fund and Earmarked Balances, forecast at 30 September 2020

Part F

Treasury Management 2020/21

F1) Introduction

F1.1 The Council has adopted – and incorporated into its Financial Regulations – the "Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code)".

F1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 26th February 2020 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

F2) Economic Headlines

F2.1 During the Quarter ended 30th September 2020, the Council's Advisors, Link Asset Services, reported:

- As expected, the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn.

- It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance. However, there has been recent discussions with UK banks and the Bank of England to see how bank's technological infrastructure would deal with negative rates, so the chance of a first ever negative interest rate has not been totally dismissed.

- PWLB rates still remain 180 bps above gilt levels for local authorities. A consultation between the HM Treasury and local authorities has been conducted to which the results are yet to be announced. It is hopeful that rates may fall to levels of gilts plus 80 bps levels, but it is clear that HM Treasury will most likely no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the primary aim is to generate an income stream (assets for yield).

F3) Council Investments

F3.1 The council held investments totalling £10.43m as at 30th September 2020. A full list of investments held at this time is shown at Table 14 below. All investments are held in short term notices accounts and money market funds to be readily available when required so to be available for paying much needed funding to businesses by the way of grants and the capital programme.

Table 14: Short-Term Investments (2nd Quarter 2020/21)

Counterparty	Type of Investment	Principal £	Rate of Return	MBC Credit Limits	
				Maximum Term	Maximum Deposit
Svenska Handelbanken	Notice Account Deposit	3,000,000	0.15%	12 Months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	1,000,000	0.20%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	1,700,000	0.07%	2 Years	£8,000,000
Federated Investers LLP	Money Market Fund	2,730,000	0.05%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	2,000,000	0.01%	2 Years	£8,000,000
		10,430,000			

F3.2 Investment income to 30th September 2020 totals £18k against a budget of £50k with an average rate of 0.33%. The Bank of England cut rates in March 2020, this has meant all investment rates are very low, especially in liquid instruments, which has meant the Council receiving such low returns.

F4) Council Borrowing

F4.1 The Council had borrowings of £9m as at 30th September 2020, all with Local Authorities. A list is shown at Table 15 below. £5m of borrowing had been repaid to Leeds City Council at the end of September and split between Bridgend County Borough Council and South Yorkshire Pension Authority who were offering better terms. The Council are currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB (awaiting the result of the consultation in view to lower priced borrowing) and other financial institutions. It is the Council's aim to have a mixture of short and long term borrowing in order to spread risks involving interest rates and refinancing.

Table 15: Council Borrowing (2nd Quarter 2020/21)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
North Yorkshire County Council	Local Authority	4,000,000	22/11/2019	20/11/2020	0.97%
Bridgend County BC	Local Authority	3,000,000	30/09/2020	30/12/2020	0.05%
South Yorkshire Pension Authority	Local Authority	2,000,000	30/09/2020	30/12/2020	0.05%
		9,000,000			

Part G

Second Quarter Maidstone Property Holdings 2020/21

G1) Maidstone Property Holdings Ltd. (MPH)

G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies. The company currently holds two properties on 22 year leases from the council.

G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.

G1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period. The external audit of the 2019/20 accounts is ongoing, and the outcome will be reported to the committee once this work has been finalized.

G1.4 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

G2) MPH Headlines Q2 2020/21

G2.1 Net rental income for the first two quarters of 2020/21 totals £72,577. This represents rent charged to tenants, less costs recharged by the managing agent. As at 30th September 2020, rent arrears totalled £4,858. The majority of this has been recovered since the month end and officers have been working with the managing agent to make arrangements for the payment of the amounts which are still outstanding. Currently, all units in both properties are occupied.

G2.2 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is anticipated that the company will achieve a breakeven position for 2020/21.

G2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.

Appendix 2

Second Quarter Performance Monitoring 2020/21

Key to performance ratings

RAG Rating	
	Target not achieved
	Target slightly missed (within 10%)
	Target met
	Data Only

Direction	
	Performance has improved
	Performance has been sustained
	Performance has declined
N/A	No previous data to compare

Strategic Scorecard

Performance Indicator	Q2 2020/21				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	94.16%	98.00%			
Percentage of successful Relief Duty outcomes	57.48%	60%			
Percentage of successful Prevention Duty outcomes	74.29%	60%			
Satisfaction with Local Area as a place to live	Annual KPI				
Net additional homes provided (NI 154)	Annual KPI				
New Businesses started in borough	Annual PI				
Council Investment in long term assets	Annual PI				

* Indicates data that has not been authorised

Q2 2020/21 Targets that were missed by more than 10%

Performance Indicator	Q2 2020/21				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Number of students benefitting from the museums educational service *('A Thriving Place')*	0	2,250			
Footfall at the Museum and Visitors Information Centre *('A Thriving Place')*	3,200	7,373.55			
Number of users at the Leisure Centre *('A Thriving Place')*	52,016	201,314			

A Thriving Place

Two KPIs met their Q2 2020/21 targets. The three KPIs mentioned below missed their Q2 2020/21 target by more than 10%. A figure for Q2 2020/21 is not available for the '**Customer satisfaction with the Hazlitt**' KPI because the Hazlitt Theatre continues to be closed. The '**Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]**' KPI is information-only, where data is tracked on a monthly basis. It should be noted that the percentage of unemployed people in Maidstone has risen when comparing to the same period last year.

The '**Number of students benefitting from the museums educational service**' continued to be 0 in Q2 2020/21 against a target of 2,250. The team responsible for this KPI highlight that they have not yet been able to reopen the education service in a face-to-face format due to COVID-19 restrictions and the unwillingness of schools to travel under restrictions. However, during the closure, the Learning team worked full time to create online learning resources for families who were home-schooling. These appeared on the museum's website and also on YouTube.

The '**Footfall at the Museum and Visitors Information Centre**' KPI achieved a figure of 3,200 against a target of 7,373.55, comparable with 0 last quarter and 24,836 the same time last year. Maidstone Museum reopened to the public on 14 July 2020 under COVID-19 social distancing restrictions. While it was possible to offer one holiday activity per week during the summer break, it was not possible to reintroduce the schools or full events programme. Visitation has been slow, and it appears to be regular visitors and families with young children who are returning to the museum initially.

The '**Number of users at the Leisure Centre**' KPI achieved a figure of 52,016 in Q2 2020/21 against a target of 201,314, comparable with 0 last quarter and 203,900 last year. As the leisure centre recovers from the lockdown imposed by coronavirus (COVID-19), the number of site users has increased and continues to slowly rise. It should be noted that the Leisure Centre is working at a lower capacity to enable social distancing and to allow for air exchange volumes to meet defined levels for a 'COVID managed environment'. In addition, opening times and allocated activity slot times have both been reduced to enable additional cleaning of facilities. Please note that from 2020/2021 onwards, this KPI shall include visitors to the Adventure Zone. The Adventure Zone opened on 11 July 2020 and the visitors in Q2 are reflected in the figures shown above.

Embracing Growth & Enabling Infrastructure

All KPIs met their Q2 2020/21 targets except two which missed their targets, but by less than 10%: '**Processing of planning applications: Major applications (NI 157a)**'; and, '**Processing of planning applications: Minor applications (NI 157b)**'. The '**Open planning enforcement cases (as of start of each month)**' KPI is information-only, where data is tracked on a monthly basis.

Safe, Clean & Green

All KPIs met their Q2 2020/21 targets except three which missed their targets, but by less than 10%: '**The percentage of relevant land and highways that is assessed as having acceptable levels of detritus**'; '**Percentage of household waste sent for reuse, recycling and composting**'; and, '**The percentage of relevant land and highways that is assessed as having acceptable levels of litter**'. Please note, the '**Percentage of household waste sent for reuse, recycling and composting**' and '**Contamination: Tonnage per month rejected**' KPIs' figures for Q2 2020/21 exclude data for September 2020 at the time of writing this report. There is currently a delay in receiving this information from Kent County Council. However, we will endeavour to update the committee once this information is made available to us.

Homes & Communities

All KPIs met their Q2 2020/21 targets except three which missed their targets, but by less than 10%: '**Percentage of successful Relief Duty outcomes**'; '**Percentage of gas safety certificates in place on all residential properties**'; and, '**Percentage of all electrical safety certificates on all residential properties**'.

Second Quarter Risk Update 2020/21

Corporate Risk Update – November 2020

Introduction

Effective risk management is a vital part of the Council's governance and contributes greatly to the successful delivery of services and key priorities. The Council has always recognised and supported the need to have effective processes to identify, evaluate and manage risks. The processes followed by the Council to manage risk are set out in **Appendix 3B**. Risks are assessed based on impact and likelihood against a clear framework, set out in **Appendix 3C**.

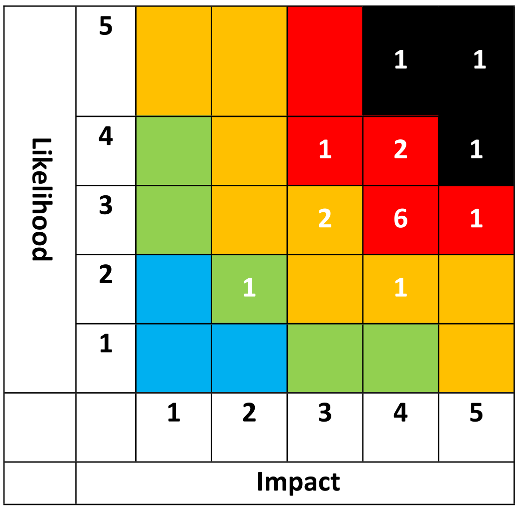
All Council services maintain an operational risk register, including Shared Services. Operational risks are the responsibility of the services to manage, and so fall within the remit of our Managers and Heads of Service.

Corporate Risks

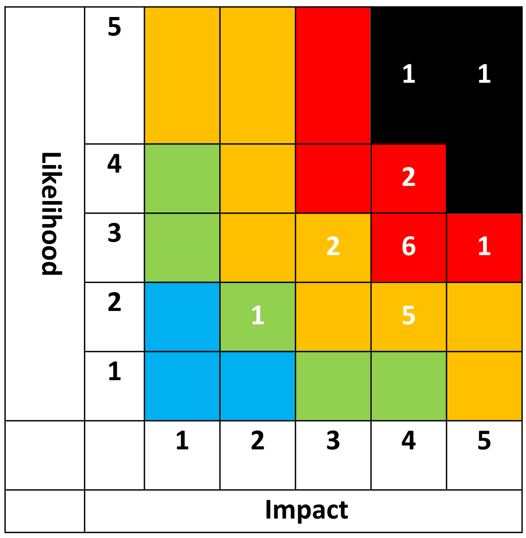
The Council's corporate risks are those risks which could impede the achievement of our strategic objectives. The corporate risk register was last reported to Members in June 2020. Owing to the increased focus on risks arising from the Covid-19 pandemic, members have asked that details of the corporate risk register be reported on an ongoing quarterly basis, to coincide with the regular budget and performance monitoring reports received by Policy and Resources Committee.

The matrices below provide a snapshot of the corporate risk profile. Each of the corporate risks has been plotted on the matrix based on the score of likelihood and impact, with the number falling within each cell of the grid indicated in white. Scores are based on the ***current*** risk, i.e. the risk impact and likelihood (as defined in ***Appendix 3C***) considering any existing controls in place to manage the risk, but ***before*** any further planned controls are introduced. By showing the risks in this way we can easily see the top risk issues facing the Council. Risks are reviewed regularly, and scores adjusted to reflect any changes. For comparison purposes we have included the profile from the previous risk update:

Risk Profile – September 2020



Risk Profile – November 2020



Our corporate risks are reported to corporate leadership team on a regular basis to ensure effective oversight. Since the last update in June we have maintained a watching eye on the top risks and updated controls accordingly to reflect any changes. As the table below illustrates, we continue to bear uncertainty from the top 11 risks (those scored in the **RED** or **BLACK**). No risks have increased in score since June, but five risks have been reduced following the successful implementation of risk actions. There are also two new risks added to the register:

Risk Title	Score before mitigation		
	Jun	Nov	Change
Contraction in retail & leisure sectors	25	25	-
Financial restrictions	20	20	-
Environmental damage	16	16	-
Brexit / EU transition	16	16	-
Major unforeseen emergency	15	15	-
Covid-19: Restrictions to Council operations	20	12	↓
Covid-19: Community & business recovery		12	NEW
Housing pressures increasing	12	12	-
IT security failure	12	12	-
Not fulfilling residential property responsibilities	12	12	-
Major contractor failure		12	NEW
Building of incomplete communities	9	9	-
Loss of community engagement	12	9	↓
Major project failure	12	8	↓
Contract Monitoring	12	8	↓
Poor partner relationships	16	8	↓
Governance failures	8	8	-
Not fulfilling commercial property responsibilities	8	8	-
Insufficient workforce capacity & skills	4	4	-

Further detail on the corporate risks, including a description of the risk and details of existing and planned key controls can be found in **Appendix 3A**. Changes since the last update in June 2020 are highlighted in red text.

Risk response to Covid-19

Covid-19 has had a significant and far reaching impact on the Country. Organisations from all sectors have been affected and even the most resilient organisations have struggled to manage the consequences. The public sector has been on the front line and we have been a key part of the UK's response. As the impact of Covid-19 continues to be felt, our emergency plans and business continuity plans are holding up and we have been able to effectively balance community support with service delivery.

Risk management sits in the centre of the Council embedded into our governance arrangements. By looking ahead at future risks, we can better plan and prepare for uncertainties. A key part of this process is horizon scanning.

In June 2020 we added two new risks to the corporate risk register to reflect the uncertainties surrounding Covid-19 and the impact of our emergency response. As the uncertainties have been sustained, we have taken the opportunity to keep our eye on the risk horizon to better understand future risks and how we might need to respond.

Specifically, our Covid-19 risk in June reflected the impact if there was a second wave (resurgence), which has now become reality. As we deal with this second lockdown as an *event*, our approach to the risk has needed to change. We have updated the risk and split it into two separate entries on the risk register. An internal and external facing risk:

> **Covid-19: Delivery of Council services –** This risk is internally focussed and is concerned with the impact of operational restrictions during a period of national lockdown and other national measures. Our response to this risk includes our ability to follow our business continuity plans, be flexible with our working arrangements, and to increase oversight, monitoring and agility of service delivery.

> **Covid-19: Response and Recovery -** This risk is externally focussed and is concerned with our ability to support our community and local businesses during the recovery from lockdown and other national measures put in place to address the Covid-19 pandemic. Our response to this risk reflects our continued monitoring of the social, economic and environmental impacts of Covid-19 and the consequent changes in support needs of our residents and local businesses to be delivered through increased engagement and effective operation of various support schemes and mechanisms.

In addition to the above additions to the risk register we have also added a further new risk to the corporate register:

> **Major contract failure** - Given the sustained economic pressures and uncertainties of the business environment, this risk reflects the possible impact on our major contracts in the event of one of our providers going into liquidation. By elevating this risk to the corporate level, we can provide greater oversight and respond quickly and effectively to any early warning signs or concerns identified as part of our ongoing contract monitoring and management arrangements.

We will continue to review these risks as part of our regular monitoring and reporting through corporate leadership team, wider leadership team and to Members via the Policy and Resources Committee.

Appendix 3A

Corporate Risks

The table below sets out each of the corporate risks in detail. Risk owners have assessed the impact and likelihood of the risks and identified the key controls and planned actions necessary to further manage the risk to an acceptable level where possible:

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Major unforeseen emergency with national / international impact (e.g. new pandemic, environmental disaster)	Alison Broom	• Strong existing emergency planning framework • Active engagement with Local Resilience Forum • Flexible, committed and appropriately trained workforce • Quarterly oversight & monitoring through the Emergency Planning Group (EPG) • Some financial reserves • Good partnership working as demonstrated during Covid-19 pandemic • Continued update to Business Continuity Plans and arrangements	(5 x 3) 15	• Plan for dealing with different types of major emergencies • Review of the level of financial reserves • Review and update of the Council's IT Disaster Recovery arrangements • Embedding arrangements over the quarterly review of emergency threats and risks through the EPG including horizon scanning and early warnings	(5 x 3) 15
Covid-19: Restrictions impact negatively on our ability to deliver core / statutory services	Alison Broom	• Strong existing business continuity planning arrangements • Emergency response plans have been made Covid secure • Learning from current pandemic has been captured • Member Covid-19 consultative forum established • Risk assessments in place for all Council buildings • Plans in place to enable staff who cannot work from home to work safely in our workplaces/activities including grounds maintenance, street cleansing, museum, and some office activities • Plans in place to enable return to work in our offices safely when appropriate • Flexible / remote working arrangements in place and embedded • Regular internal communications with all staff • Embedded performance monitoring and reporting •	(4 x 3) 12	• Build up stocks of appropriate equipment and PPE • Regular review of flexible and remote working arrangements • Ongoing review and development of new ways of working because of Covid-19	(4 x 2) 8

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Covid-19: Inability to support the response and recovery from Covid for the community and local businesses	Alison Broom	• Active engagement with Local Resilience Forum • Member consultative forum on recovery arrangements • Continued engagement with community groups and volunteers • Continuing engagement with local public health officers to ensure rapid response • Support model for residents and businesses is well embedded • Enforcement with respect to non-compliant businesses is in place • Funding has been provided to the Council • Core officer group established for recovery • Joint working with partners through the Inclusion Board & Maidstone Economic Business Partnership • Strategic approach to engagement with voluntary sector agreed by Communities Housing and Environment Committee in November 2020	(4 x 3) 12	• Continued scanning of horizon with respect to changes to legislation, regulations, and guidance • Implementation, development and strengthening of the agreed strategic approach to engagement with community groups • Completion and monitoring of action plan themes for recovery	(4 x 3) 12
61 Increased effects from climate change or reduction in air quality causes **environmental damage** reducing residents' quality of life and increasing risks from adverse weather events	Angela Woodhouse	• Biodiversity and Climate Change Strategy and action plan in place • Air Quality Action Plan in place (2) Emergency planning arrangements (3) Parks strategy • Budget available to deliver actions • Communication / engagement strategy for adverse weather events • Member of the Kent Climate Change Network • Fixed-term Biodiversity and Climate Change officer in post	(4 x 4) 16	• Review by Carbon Trust towards the Council becoming carbon neutral by 2030 • Implementation of the B&CCS action plan • Review of our own estate in line with ambition to be carbon neutral by 2030 • Seeking to recruit into a permanent Biodiversity and Climate Change officer • Review of governance for delivery and oversight of BD&CC Strategy	(4 x 4) 16

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Conflicting expectations or limited engagement leads to **poor partner relationships** inhibiting the Council's ability to call on others to help achieve its corporate objectives	Alison Broom	• Joint working with other local authorities, parishes, and voluntary sector during Covid-19 response • Regular liaison meetings (e.g. Kent Association for Local Councils) • Defined joint working arrangements (e.g. Mid Kent Shared services, waste, licensing) • Specific joint working protocols for key relationships (e.g. Joint Transport Board, Safer Maidstone Partnership) • Project and topic specific boards for key priorities, including Town centre board, Maidstone East strategic board, and Museum board • Participation in Integrated Care Partnership board • Participation in Business Improvement District advisory board • Positive relationships built during Covid-19 response • Creation of a multi-agency workspace for the Maidstone Task Force in Maidstone House	(4 X 2) 8	• Increased joint work with KCC highways & waste teams • Participation in specific projects arising from the activity of the Integrated Care Partnership Board • Participation and development of the Maidstone Task Force	(4 x 2) 8
General financial downturns, unexpected changes to government funding or failure to achieve income or savings targets places further **financial restrictions** on the Council resulting in difficulty maintaining standards or meeting aims.	Mark Green	• Agreed work programmes in transformation and commissioning • Budget monitoring in place • MTFS in place and monitored • Scenario planning in budget setting • Financial independence strategy to maximise our income • Strategies for maintaining income (e.g. pricing policies and purchase of Lockmeadow) • Commercial investment strategy • Holding reserves to mitigate impact of financial restrictions	(4 x 5) 20	• Currently updating MTFS to reflect impact of Covid-19 and need to support recovery due to go to Policy and Resources in November 2020 • Review of reserves policy as part of MTFS development • Lobbying to avoid unfavourable financial changes to government funding • Cost recovery through bidding for additional government support for one-off costs (e.g. Brexit) • Identifying measures to address future budget gaps	(4 x 4) 12

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Security breach or system weakness leading to **IT security failure** results in system unavailability and increased legal and financial liability.	Steve McGinnes	• Regular backup programmes • External testing of IT security by specialists –resulting findings and actions are implemented and tested • ICT policies & staff training, including disaster recovery plan • Mandatory cyber security training was rolled out and completed • CLT monitoring of performance indicators, including ICT incidents • Nessus scanning software reporting daily on system vulnerabilities • New firewall tested and installed	(4 x 3) 12	• Ongoing programme of awareness raising through Cyber events, training, and tests • Ongoing programme of IT campaigns including phishing • IT infrastructure replacement programme being considered to ensure that IT equipment is fit for purpose	(4 x 3) 12
Poor engagement and communications decreases **community engagement** limiting support for project delivery and regard for public realm.	Alison Broom	• Communication and engagement strategy which is regularly reviewed and updated • Communications plan in place to enable effective response to events • Internal expertise and skills to run effective consultation exercises to capture resident and businesses views • Delivery of specific community projects • Programme of communication campaigns, for instance recycling • Statement of Community Involvement set out specifically as part of the Local Plan Review	(3 x 3) 9	• Member training & awareness • More targeted public engagement, including more prominent engagement for Local Plan	(2 x 3) 6

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
The broader housing crisis leads to **housing pressures increasing** on the Council, affecting both costs associated with homelessness and ability to meet wider housing needs in the borough.	William Cornall	• Homelessness prevention team in place with increased resource • Access to our own housing stock to use for temporary accommodation & market rented housing (within Maidstone Property Holdings) • Closer working with private sector & housing associations • Key policies are in place: Temporary Accommodation Strategy • Implementation of Housing Management Team • CHE approval in place for MBC to develop up to 250 affordable homes of its own • We work closely with the voluntary sector and community partners • Home Finders scheme in place and supported through Government funding • Affordable Housing supplementary guidance adopted in Summer 2020	(4 x 3) 12	• Continued progress towards the temporary accommodation acquisition programme funded through the MBC capital programme • Approval secured to provide hostel and 'move on' type TA in the town centre • Purchase of more housebuilder stock off plan. Recent approval to acquire a further 21 units of PRS accommodation	(3 x 3) 9
Insufficient awareness / expertise leads to **not fulfilling residential property responsibilities** resulting in possible health & safety breaches.	William Cornall	• Faithfull Farrell & Timms have been retained as a critical friend to allow the new housing management function to up skill. • West Kent Housing Association (WKHA) engaged to provide an asset management service for the whole MBC residential portfolio. • The whole MBC residential portfolio is now being managed by a single team within Housing & Communities, where previously it was split between Housing & Property. • H&S KPI's are now recorded and reported through an interim software solution, FIXFLO. • The H&S KPI's are reported monthly to Corporate Leadership Team. • Good level of awareness from officers around H&S obligations and compliance	(4 x 3) 12	• A permanent replacement housing management software package has been procured and be implemented early 2021. This will incorporate KPI and management information. This will take over from the previous system, and the interim system (FIXFLO). • Possible due diligence review by Mid Kent Audit to advise on integrity with respect of KPI production and reporting. • Eventual goal of real time reporting in terms of gas safety, via the WKHA contractor. • Review of existing resources and skills underway to support the housing portfolio and management of properties	(3 x 3) 9

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Lack of capacity, capability or planning results in **major project failure** damaging the Council's reputation as a partner and inhibiting achievement of regeneration and development objectives.	William Cornall	• Engage external consultants where needed on complex projects • Clear project management process - including risk evaluation & monitoring • CLT monitoring & oversight, including digital transformation board • Specialist project management software used • Staff training & support • External funding bids and Capital Programme • Housing and Regeneration Investment Plan • Close working relationships with experienced partners and stakeholders • Adherence to suite of financial hurdle rates reflective of different sector risk profiles • Regeneration & Economic Development staffing structure amended to increase focus on project identification & delivery • Capital programme project board established	(4 x 2) 8	• Continued development of an expert in-house project management team to act as the client for major project delivery	(4 x 2) 8

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
General and localised economic pressure leads to **contraction in retail & leisure sectors,** limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	William Cornall	• Working with Key stakeholders including One Maidstone to safely reopen the High Street. • Regular network meetings with town centre retailers • Town Centre strategic advisory board • Public realm improvement work • Supporting One Maidstone Business Improvement District • Acquisition of key property (Royal Mail / Grenada House) • Work commissioned to promote Maidstone as business destination • Planning Guidelines documents have now been approved by SPI for the Five town Centre Opportunity sites • Active management of Lockmeadow to enhance the local economy • Support delivered to the sector through Business Rates grants and assistance grants • Town Centre Opportunity guidance published and actively being used	(5 x 5) 25	• Taking advantage of opportunities to support infrastructure investment • Consider a targeted programme of place promotion campaign activities • Launch of town centre shop fronts improvement grant scheme closer to being made available • Development of a Town Centre action plan to guide the reallocation of land uses within the Town Centre (including retail)	(4 x 5) 20
Contractor performance is not appropriately monitored by the Council resulting in decline of quality or breach of contract obligations	Mark Green	• Contract management approach in place • Additional contract management resources obtained • Risk assessments & annual checks (e.g. credit & health & safety) • Business continuity plans for our providers • Training for contract managers on Toolkit • Regular updates to senior management and CLT • Contracts reviewed on a regular basis • Contract management resources retained in-house	(4 x 2) 8	• Additional staff training & support • Ongoing development and implementation of the Contract management toolkit	(3 x 2) 6

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Failure of a major contractor: One of the Councils contractors goes into liquidation / administration	Mark Green	• Regular contract monitoring and communication with contractors • Procurement expertise made available through the Partnership with Tunbridge Wells • Financial performance and sustainability embedded into the procurement process • Contactor business continuity plans in place • 'Exit plan' included as a requirement in the ITT document for all relevant contracts	(4 x 3) 12	• Ongoing financial performance and resilience checks of our suppliers and contractors	(4 x 3) 12
Failure in implementation of Local Plan leads to **building of incomplete communities** in the borough inhibiting residents' quality of life	William Cornall	• Communication & liaison with partners • CLT oversight, including of developer income & contributions • Major projects team in planning • Agreed approach to LP review • Reg 18a reported to SPI meeting	(3 x 3) 9	• Good progress continues to be made with the Local Plan Review • Public Consultation of phase 18b (preferred spatial strategy + alternatives) starts in December 2020 • Lobby government on 5-year land supply and future legislative proposals • Member lobbying and engagement with Senior officers in MHCLG regarding proposed increases to housing targets	(3 x 3) 9
Exit of EU on unfavourable terms results in adverse **short-term Brexit / EU transition impacts** disrupting the Council's ability to offer services and increasing liabilities.	Mark Green	• Close working with other members of KRF on the EU transition planning • Regular briefings for officers & members	(4 x 4) 16	• Continued liaison with partners • More frequent updates and communication in the run up to 31.12.20 with Members and Officers • Liaison with local business about the support that could be provided • Refresh business continuity and contingency plans to reflect possible impacts of EU transition, specifically with regards to transport	(3 x 4) 12

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
Increased pressure on controls leads to **governance failures** resulting in poor decision making and increased legal liability 68	Alison Broom	• Regular review of the Constitution • Annual Governance Statement and Local Code of Corporate Governance • Provision for the P&R to convene as urgency committee as required • Protocols in place for remote meetings • Professional advisory staff (including legal & internal audit) • Staff & member training (including political awareness & report writing) • Committee agendas and work programmes with sign-off procedures for decision making reports • Process for quick decision making in place • Information Governance Group • Time appropriate Member sounding groups for Covid and the Local Plan • Clear and transparent decision making and delegated authority	(4 x 2) 8	• Review of remote meetings • Ongoing review and development of new ways of working because of Covid-19	(4 x 2) 8
Due to difficulties in recruitment, retention or managing absence the Council has **insufficient workforce capacity & skills** to complete effectively the work necessary to achieve its objectives.	Steve McGinnes	• Workforce strategy monitoring & reporting • Salary benchmarking across SE England public sector • Training & development programme • Shared service resilience & specialist agency staff • Occupational health & employee support • Recruitment process that includes ability to adjust pay • Rewards package reviewed regularly • Use of HSE Stress survey • Commissioning specialist external support as required • Online onboarding of new staff	(2 x 2) 4	• Implementation of actions from engagement surveys and pulse surveys • New intranet page to enable staff to access information on health & wellbeing • Review of flexible and remote working arrangements	(2 x 2) 4
Insufficient awareness / expertise leads to **not fulfilling commercial property responsibilities**	Mark Green	• Access to expert advice on compliance • Regular monitoring by CLT of corporate property PIs	(4 x 2) 8	• Selection of a new Corporate Property systems • Corporate property service review to ensure resilience and expertise of the function	(4 x 1) 4

Appendix 3B

Maidstone Risk Management Process: One Page Summary

Step 1 – Identify Risks

Best done in groups, by those responsible for delivery objectives.

RISK is a *potential future* event that, if it materialises, has an *effect* on the achievement of our objectives.

Consider both threats and opportunities.

69

When to consider:

- Setting business aims and objectives
- Service planning
- Target setting
- Partnerships & projects
- Options appraisal

Establish the **risk owner**.

Document in the **risk register**.

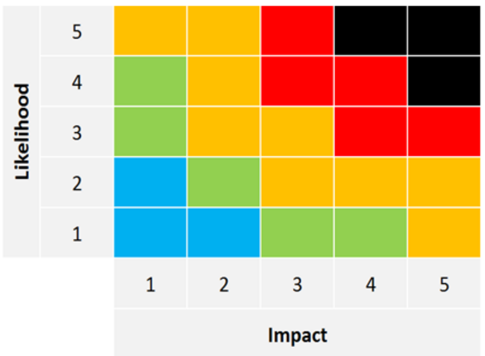
Step 2 – Evaluate Risks

Combination of the **impact** and **likelihood** of an event (the ***CURRENT RISK***).

Impact score is the highest from the different categories.

Establish your **key existing controls** and whether they are managing the impact and/or likelihood of the risk.

Scores can be depicted in the **risk matrix:**



Step 3 – Risk Response

Black – Above our ***tolerance***, immediate action and reporting to directors.
Red – Outer limit of our ***appetite***, immediate action.
Amber – Medium risk, review existing controls.
Green – Low risk, limited action, include in plans.
Blue – Minimal risk, no action but annual review.

Risk Response – 4Ts

- Treat (i.e. apply controls)
- Tolerate (i.e. accept risk)
- Transfer (e.g. insurance / partnership)
- Terminate (i.e. stop activity)

After your response; where does the risk score now? (the ***MITIGATED RISK***)

Step 4 – Monitor & Review

Completed risk registers returned to **Mid Kent Audit.**

- **Corporate Leadership Team** monthly monitoring of **black** risks. Quarterly reporting of all high level (**black** and **red**) risks.
- 6-monthly reporting to **Wider Leadership Team.**
- Risk registers sent quarterly to **directors** and **heads of service**.
- 6-monthly monitoring at **Policy & Resources Committee.**
- Annual monitoring of process by **Audit, Governance & Standards Committee.**

Mid Kent Audit facilitate the review and update of risk actions (as per your risk register) during the year for and high-level (**red** / **black**) risks.

Appendix 3C

Impact & Likelihood Scales

Risk Impact

Level	Service	Reputation	H&S	Legal	Financial	Environment
Catastrophic (5)	Ongoing failure to provide an adequate service	Perceived as a failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor Service, 5+ days disruption	Significant adverse national publicity	Fails to prevent death, causes extensive permanent injuries or long term sick	Litigation expected and uncertain if defensible Breaches of law punishable by significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1+ yrs)
Moderate (3)	Unsatisfactory performance Service disrupted 3-5 days	Adverse national publicity of significant adverse local publicity	Fails to prevent extensive permanent injuries or long term sick	Litigation expected but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1 yr)
Minor (2)	Marginal reduction in performance Service disrupted 1-2 days	Minor adverse local publicity	Medical treatment required Long term injuries or sickness	Complaint or litigation possible Breaches of regulations or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No performance reduction Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

Risk Likelihood

Level	Probability	Description
Almost Certain (5)	90% +	Without action is likely to occur; frequent similar occurrences in local government / Council history
Probable (4)	60% - 90%	Strong possibility; similar occurrences known often in local government / Council history
Possible (3)	40% - 60%	Might occur; similar occurrences experienced in local government / Council history
Unlikely (2)	10% - 40%	Not expected; rare but no unheard of occurrence in local government / Council history
Rare (1)	0% - 10%	Very unlikely to occur; no recent similar instances in local government / Council history

Business Rates Write Offs
2nd Quarter 2020/21

APPENDIX 4

Business Name	Property Address	Fin. Year	O/S debt	Costs	Total to be written off	Reason for write off	Action taken
TURN A TAP LIMITED	5-7 THE PARADE	2019/20	£3,037.45		**£17,329.61**	Liquidation	Company went into liquidation 25.06.2019. Notification of no dividend to unsecured creditors received.
	STAPLEHURST TN12 0LA	2018/19	£14,292.16				
FUSION FINE DINING LTD	452 TONBRIDGE ROAD	2018/19	£7,595.51	£400.00	**£15,162.55**	Liquidation	Debt was with Enforcement Agent. Company went into liquidation on 29.1.20, dividend to unsecured creditors not expected.
	MAIDSTONE ME16 9LW	2017/18	£7,167.04				
THE BAR COMPANY MEDWAY LIMITED	ME1 MARKET BUILDINGS MAIDSTONE ME14 1HP	2019/2020	£23,877.21	£200.00	**£24,077.21**	Liquidation	Debt was with enforcement Agent, company in liquidation 25.03.2019. Notice of no dividend to unsecured creditors received
ORCHARD SHOPFITTING LTD	UNIT D, ORCHARD BUSINESS CENTRE ST BARNABAS CLOSE MAIDSTONE ME16 OJZ	2019/20	£8,525.64	£200.00	**£12,811.64**	Liquidation	Debt was with Enforcement Agent, company in liquidation 13.02.2020. Dividend to unsecured creditors not expected.
		2018/19	£3,886.00	£200.00			
			Total		**£69,381.01**		

POLICY AND RESOURCES COMMITTEE	25 November 2020
Is the final decision on the recommendations in this report to be made at this meeting?	**No**

Strategic Plan Review Update and Medium Term Financial Strategy 2021/22-2025/26

Final Decision-Maker	Council
Lead Head of Service	Chief Executive
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report provides a further update on the Strategic Plan Review and sets out a draft new Medium Term Financial Strategy (MTFS) for the Council. The new MTFS updates the existing strategy to cover the five-year period 2021/22 to 2025/26 and to reflect changes in corporate priorities and the impact of the Covid-19 pandemic.

This report makes the following recommendations to this Committee:

1. That it notes and provides feedback on the Strategic Plan Review update at Appendix A.
2. That it endorses the Draft Medium Term Financial Strategy 2021/22 – 2025/26 at Appendix B.
3. That it agrees the Council Tax setting principle set out in in paragraph 2.5 of this report.

Timetable

Meeting	***Date***
Policy and Resources Committee	25 November 2020
Communities Housing & Environment Committee	1 December 2020
Strategic Planning & Transportation Committee	8 December 2020
Economic Regeneration & Leisure Committee	15 December 2020
Policy & Resources Committee	10 February 2021
Council	24 February 2021

Strategic Plan Review Update and Medium Term Financial Strategy 2021/22-2025/26

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report updates the Committee on areas of focus for the Strategic Priorities for the next five years with direct implications for the Medium Term Financial Strategy and 2021/22 budget The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Chief Executive, Section 151 Officer & Finance Team
Cross Cutting Objectives	Members will also consider the crosscutting objectives when they review and agree areas of focus in the Strategic Plan for 2021-26 The MTFS supports the cross-cutting objectives in the same way that it supports the Council's other strategic priorities.	Chief Executive, Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The Strategic Plan sets the Council's Priorities and the direction for the Medium-Term Financial Strategy The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the Strategic Plan and the associated budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget and development of the	Legal Services

	MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
Privacy and Data Protection	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Policy and Information Team
Equalities	The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.	Equalities and Corporate Policy Officer
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Public Health Officer
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

2. INTRODUCTION AND BACKGROUND

2.1 At its meeting of 21 July 2020 this Committee agreed the approach and timetable for a review of the priorities and outcomes in the Strategic Plan 2019 to 2045, and to update the Medium-Term Financial Strategy (MTFS) to cover the five-year period 2021 to 2026. This report provides an update on progress with the review of the Strategic Plan and sets out a draft MTFS. The MTFS remains subject to finalisation of the Strategic Plan refresh and the government's announcement of the Local Government Finance Settlement 2021/22, which is expected in December 2020.

2.2 The vision and priorities set out in the Council's existing Strategic Plan are clear and remain relevant. However, considering the Covid-19 pandemic and its significant impact, work has been carried out to review our outcomes for 2019/24 and to produce a refreshed set of outcomes for 2021/26. The first steps in the Strategic Plan review, including engagement with all councillors, were undertaken in August and reported to the Committee at its September meeting. Decisions were made then about key areas of focus for cost reduction and approaches to leveraging resources to complement the council's spending and investment. An update on progress with work in these areas of focus was provided to the committee at its October meeting; a further update is included at Appendix A. It is intended to bring a refreshed Strategic Plan to this Committee in January 2021 prior to approval by Council in February 2021.

2.3 The draft MTFS is attached as Appendix B. It sets out in financial terms how it is intended to deliver the Strategic Plan, given the Council's capacity and capability. It builds on the existing MTFS, but reflects the impact of Covid-19 by incorporating the re-prioritisation of Strategic Plan objectives described above, together with proposals for transformational budget savings to address the financial challenges that the Council now faces.

2.4 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2021/22 at the Council meeting on 24 February 2021. This report is a key step towards achieving that objective.

Revenue Projections

2.5 The MTFS incorporates revenue projections for the five year planning period. Various potential scenarios were modelled, described as adverse, neutral and favourable. Key assumptions made in the projections are as follows.

Council Tax – It has been assumed that the government continues to set a limit of 2% to increases, above which a referendum would be required (as in 2020/21), and that the Council increases Council Tax to this limit. If the government sets a different referendum limit, this assumption will need to be reviewed.

Business Rates - The Business Rates baseline, which dictates the amount of business rates that local authorities may retain locally, will be increased in line with inflation in 2021/22, as part of the expected one year roll forward of the existing 2020/21 financial settlement.

Covid-19 – In the neutral scenario, income from Council Tax, Business Rates and Sales, Fees and Charges will bounce back from the levels experienced in 2020/21 but full recovery will not be seen until 2022/23. There will be no further general government compensation for the effects of Covid-19 after the end of the current financial year.

This would leave a budget gap of £2.6 million in 2021/22 in the neutral scenario, before taking account of any new savings.

2.6 The MTFS proposes that the budget gap is addressed through a combination of strategic plan re-prioritisation, transformation savings and increasing income. To date approximately £2 million of savings have been identified. These savings will be delivered over a period of 3-4 years, so in the meantime it will be necessary to deploy revenue resources hitherto earmarked for other purposes, such as New Homes Bonus and uncommitted Business Rates Growth proceeds to achieve a balanced budget. This is a departure from the Council's existing policy but is considered to be justified given the scale of the budget gap and uncertainties in financial forecasts that the Council faces.

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3. AVAILABLE OPTIONS

3.1 The Committee could endorse the draft MTFS attached at Appendix B and agree to the Council Tax setting principle set out in paragraph 2.5 above.

3.2 The Committee could endorse the draft MTFS, subject to any amendments that it may agree.

3.3 The Committee could choose not to endorse the draft MTFS.

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The Committee is asked to endorse the draft MTFS along with the Council Tax setting principle described above. Without an agreed MTFS, the Council will have no formal framework for consideration of next year's budget, and will therefore risk not being able to meet its statutory responsibility to set a balanced budget. The basis for the assumptions underlying the MTFS and the proposed Council Tax setting principle are set out in the body of this report.

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5. RISK

5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council's financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Policy and Resources Committee reviewed the background to setting a new Medium Term Financial Strategy at their meeting on 21 July.

6.2 The three Service Committees – Economic Regeneration & Leisure, Strategic Planning & Infrastructure and Communities, Housing & Environment – will consider the draft MTFS at their forthcoming meetings. The outcomes will be reported back to Policy & Resources Committee when it is asked to consider the MTFS again for recommendation to Council at its 11 February meeting.

6.3 A survey has recently concluded, in which residents were consulted on what they wish to see in the budget. This is attached as Appendix D.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 An outline timetable for developing the Council's Strategic Plan and the associated Medium Term Financial Strategy and budget for 2021/22 is set out below.

Date	***Meeting***	***Action***
25 November 2020	Policy and Resources Committee	Consider update on the Strategic Plan and draft MTFS
December 2020	Service Committees	Consider draft MTFS
December 2020		Finalise detailed budget proposals for 2021/22
January 2021	Policy and Resources Committee, Service Committees	Consider the updated Strategic Plan and 21/22 budget proposals
10 February 2021	Policy and Resources Committee	Agree Strategic Plan, MTFS and 21/22 budget proposals for recommendation to Council
24 February 2021	Council	Approve Strategic Plan and 2021/22 budget

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Update on Strategic Plan Review
- Appendix B: Draft Medium Term Financial Strategy 2020/21 – 2024/25
- Appendix C: Strategic Revenue Projection 2020/21 – 2024/25
- Appendix D: Budget Consultation Report

9. BACKGROUND PAPERS

None.

Appendix A

Policy and Resources Committee – 25th November 2020

Strategic Plan Update

At its meeting of 21 July 2020 this Committee agreed the approach and timetable for a review of the priorities and outcomes in the Strategic Plan 2019 to 2045 and updating the Medium-Term Financial Strategy (MTFS) to cover the five-year period 2021 to 2026. The first steps in this review including engagement with all councillors were undertaken in August and reported to the Committee at its September meeting where decisions were made about key areas of focus for cost reduction and approaches to leveraging resources to complement the council's spending and investment. The Committee was updated in October 2020. This report updates the Committee further on progress made with respect to these decisions.

The current Strategic Plan was developed involving a wide cross section of Councillors, staff and other stakeholders in 2018 before being adopted in December of that year. The vision and priorities are clear and remain relevant. Progress has been made across all priorities and details were set out in the July report. Considering the pandemic and its significant impact, work is now being carried out to review our outcomes for 2019/24 to produce a refreshed set of outcomes for 2021/26 reflecting the change in context and resources arising from the impacts of the Covid-19 health emergency; the outcomes and milestones also need to respond to our Covid-19 recovery approach.

The decisions made in September by this Committee were -

- Further development of the Council's capital strategy and programme including consideration of partnership funding of large-scale projects and infrastructure including consideration of joint ventures and development corporation

- A review of planning and economic development services reflecting on the effectiveness of our current services and reconsidering our service delivery model taking into account the changes in the planning system and looking at: expertise, organisational arrangements, including the synergies between planning policy and economic development, our arrangements for delivering/enabling construction projects, and agility.

- A report concerning a protocol for working strategically with the community and voluntary sectors and parishes is progressed initially via the Communities Housing and Environment Committee

- That the council initiates dialogue with the Business Improvement District concerning current challenges and future investment in the town centre

- Officers review the scope of work undertaken and resources allocated to the community safety unit.

- The direction of travel on modernising the arrangements at the museum is now more modest and focuses on making the best use of existing spaces.

- Review of the contribution of the Hazlitt to the town centre economy and consideration of options for its sustainability.

- Reduction of the priority of raising resident satisfaction with cleanliness to maintaining it.

- References to individual projects are removed from areas of focus in the Strategic Plan.

- Climate change becomes a cross cutting issue for all services to consider proactively and that an officer is required to lead this work and be proactive in finding funding streams to complement the council's commitment

Since September attention has been particularly focussed on decisions which have the greatest bearing on achieving a balanced revenue budget for 2021/2 and beyond. Officers have developed options for future service delivery for our cultural services and have commenced work to enable review of community safety and planning and economic development services. The current position is summarised below.

Firstly, with respect to the strategic objective for a Thriving Borough and specifically arts and culture services. Options papers were presented to the Economic Regeneration and Leisure Committee concerning the Maidstone museums and Hazlitt Theatre on 12 November 2020.

The outcomes with respect to Maidstone Museums were

- Agreement to objectives to underpin the future operational model for the museums
- A revenue savings target of a minimum of £152,000; £138k arising from reduction in opening hours to take effect by April 2021 and the balance from a package of other actions to take effect by April 2022

- Engagement with key and prospective stakeholders including the Maidstone Museum Foundation with respect to the service delivery outcomes to be achieved while working within these parameters
- That a further report is presented to the committee setting out how the existing capital allocation to the Museum can be used to make the best use of our existing spaces, address accessibility to the collections and reduce the net revenue costs of the museum.

The outcome with respect to the Hazlitt theatre which is operated by Parkwood Leisure and has been closed since March 2020 was recognition that the council's subsidy for the theatre is not sustainable in the current financial circumstances and the authority's funding for the theatre be significantly reduced. The impact for the short term will be to maintain the building while it cannot be used as a theatre, identify any short term uses and reconsider the position when the impact of the covid19 pandemic has diminished and the council's financial outlook is more positive. This decision has been called-in and the topic will be considered afresh by the Policy and Resources Committee on November 25th.

These decisions have been factored into the draft Medium-Term Financial Strategy which is covered in more depth later in this report. This will be reviewed in light of the decision of the Policy and Resources Committee and any change in the position with respect to the Hazlitt theatre.

Discussions have taken place with the Chair of the Business Improvement District Board. MBC and the BID have worked closely and positively to support town centre businesses during the pandemic, ensuring good quality and timely advice and guidance throughout, that the public were warmly welcomed back to the high street when restrictions were eased in June and subsequently guidance about behaviours to protect public health have been well communicated. The BID has experienced an adverse impact with respect to income in common with many organisations because of Covid19. Consequently, BID spending has been refocussed. Given the second lockdown and impacts arising from closure of non-essential retail, leisure and hospitality sectors and an overall reduction in footfall there is recognition of the risks of further restructuring of this part of the town's economy with implications for the long term offer. MBC and the BID will work together create as positive commercial environment as possible eg through attractive shop front displays and collaboration on CCTV.

Secondly, with respect to a Safe Clean and Green Borough. A presentation which was open to all councillors to attend, was made on the objectives and scope of community protection and safety services on 3 November 2020. The planned follow up report to the Communities, Housing and Environment Committee, will now be presented in January 2021 rather than December 2020. This is because the analysis to inform the report has been slightly delayed by the need to divert resources to community and business support arising from the national measures put in place to address Covid19 which commenced on 5 November. In the meantime, the service has put forward a reduction in spend of £56k arising from changes in operational and staffing arrangements. This has been factored into the draft MTFS.

Next, with respect to embracing growth and enabling infrastructure. Informal discussion with key members (the Chair and Vice Chair of this Committee and the Chairs of the Planning, Strategic Planning and Infrastructure and Economic Regenerations and Leisure Committees) has resulted in 5 proposed areas of focus for future service development and efficiency improvements. These are set out below and feedback is invited from the Policy and Resources Committee

a. Producing a growth and investment statement – which makes our ambitions clear with more of a "think big" ambition focussed on the Kent Medical Campus, Heathlands, the Maidstone "County Town" Plan and motorway junction employment sites and greater political engagement in its delivery

b. Changing our approach to the Local Plan Review/plan making including making the Local Plan a corporate project rather than a planning project, taking more of a commissioning approach to the plan, making process ensuring that this is led by a suitably knowledgeable client manager and preparing for/implementing change to plan making arising from the recent "Planning for the Future" White paper. Timing is key to avoid disruption of the current LPR, to enable adoption of the LPR as planned by October 2022 and any change required by the government arising from the White Paper in advance if this is required

c. Greater use of technology including enabling more extensive customer self-service, for public engagement, better use of business analytics, consideration of AI for some functions and efficiency improvement from centralisation of and better access to data

d. A further step change in terms of focus on delivery with consideration of alternative delivery and governance models

e. Skills development to achieve the new ways of working

Finally, with respect to housing and communities. The Policy and Resources Committee agreed on the 16 September 2020 that there were issues which need to be addressed concerning the Council's role in community resilience and agreed that a report concerning a protocol be progressed initially via the Communities Housing and Environment (CHE) Committee. This needs to be seen in the context of our existing strategic plan areas of focus which have, to date, given low priority to community development activity. A report was taken to CHE on the 3 November 2020 with actions set out to fulfil three distilled objectives:

a. To ensure that we are best placed along with our partners to respond whatever the emergency in the borough

b. To build on increased trust and communication with our partners to work on issues of joint interest and priority

c. Ensuring that we build on our existing relationship with Parish Councils and provide mutual support for the benefit of our residents

The report set out information on creating a local compact with the voluntary and community sector in the Borough. A compact would establish a framework for good partnership working at a local level and can be based on practical examples from elsewhere. In addition to this a single repository of community organisation be created to understand the resource available to support residents generally and at times of crisis. For Parishes, the focus will be on building the relationship we already have, refining our charter and ensuring we provide a clear single point of contact and continued regular communication.

The Communities, Housing and Environment Committee agreed:

a. That local partners are consulted with the intention to develop a local compact for Maidstone which will include respective roles and mutual support in emergencies.

b. That the access to services review expand its remit to include building a repository of community organisations across the Borough.

c. To amend the Parish Charter subject to the agreement of Parish Council's to reflect their important role in emergencies.

d. Note the provision of Parish Council newsletters and joint webinars with the Maidstone branch of the Kent Association of Local Councils to ensure regular communication and feedback.

e. Creation of a single point of contact and advertising of this for Parish Councils and the Voluntary and Community Sector in Maidstone.

f. That officers bring back an update on this in February and in April 2021

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2025/26

CONTENTS

1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council agreed a new Strategic Plan in December 2018 covering the period 2019 to 2045. The priorities and outcomes in the Strategic Plan are currently being reviewed with a view to Council agreeing a refreshed Strategic Plan in February 2021. The vision remains relevant and it is expected that it will retain its four key objectives: embracing growth and enabling infrastructure; homes and communities; a thriving place; and safe, clean and green. Further details are set out in **Section 2.**

1.2 Delivering the Strategic Plan depends on the Council's financial capacity and capability. Accordingly, the MTFS considers the economic environment and the Council's own current financial position. The external environment (**Section 3**) is particularly challenging because of the economic impact of Covid-19. In assessing the Council's current financial position (**Section 4**), attention therefore needs to be paid to its resilience, including the level of reserves that it holds.

1.3 Most key variables in local authority funding are determined by central government, such as the Council Tax referendum limit and the share of business rates that is retained locally. Because of economic uncertainty, central government is not prepared to give local authorities any certainty about these factors beyond 2021/22, thus making future planning even more difficult. A consideration of the funding likely to be available in the future is set out in **Section 5**.

1.4 In view of these multiple levels of uncertainty, it is imperative that the MTFS both ensures the local authority's continuing financial resilience and is sufficiently flexible to accommodate a range of potential scenarios. The Council has prepared financial projections under different scenarios, following a practice that has been followed for a number of years. Details of the assumptions made in the different scenarios are set out in **Section 6**.

1.5 The MTFS sets out the financial projections in **Section 7**. Various potential scenarios were modelled, described as adverse, neutral and favourable. The table below shows projections under the neutral scenario.

<u>Table 1: MTFS Revenue Projections 2021/22 – 2025/26</u>

	20/21	20/21	21/22	22/23	23/24	24/25	25/26
	Orig budget	Latest projn	Forecast				
	£m	£m	£m	£m	£m	£m	£m
Council Tax	16.8	16.1	17.1	17.7	18.3	19.0	19.6
Business Rates	4.5	3.7	3.9	3.3	3.5	3.8	4.1
Other Income	21.7	17.4	18.8	20.0	21.2	22.9	23.7
Total Funding	43.0	37.2	39.8	41.0	43.0	45.7	47.4

Available							
Predicted Expenditure[1]	43.0	43.2	43.1	41.6	43.0	45.0	47.1
Budget Gap	0.0	-6.0	-3.3	-0.6	0.0	0.7	0.3
Existing Planned Savings			0.9	0.6	0.2		
Contribution to Reserves					0.2	0.7	0.3
Residual Budget Gap			-2.4	-0.0	0.0	0.0	0.0

In accordance with legislative requirements the Council must set a balanced budget. The MTFS sets out a proposed approach that seeks to address the budget gap and therefore enable the Council to set a balanced budget.

1.6 The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment. The Council has adopted a Capital Strategy, which sets out how investment will be carried out that delivers the strategic priorities, whilst remaining affordable and sustainable. As set out in **Section 8** below, funds have been set aside for capital investment and further funding is available, in principle, through prudential borrowing.

1.7 The MTFS concludes by describing the process of agreeing a budget for 2021/22, including consultation with all relevant stakeholders, in **Section 9.**

2. CORPORATE OBJECTIVES AND KEY PRIORITIES

2.1 The Council has a Strategic Plan which was approved by Council in December 2018. It sets out four key objectives, as follows:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

'Embracing growth and enabling infrastructure' recognises the Council's role in leading and shaping the borough as it grows. This means taking an active role in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

'Homes and communities' expresses the objective of making Maidstone a place where people love to live and can afford to live. This means providing a range of different types of housing, including affordable housing, and meeting our statutory obligations to address homelessness and rough sleeping.

'A thriving place' is a borough that is open for business, attractive for visitors and an enjoyable and prosperous place to live for our residents. We will work to regenerate the County town and rural service centres and will continue to grow our leisure and cultural offer.

A 'safe, clean and green' place is one where the environment is protected and enhanced, where parks, green spaces, streets and public areas are looked after, well-managed and respected, and where people are and feel safe.

2.2 Since the adoption of the Strategic Plan in December 2018, the objective of 'Embracing growth and enabling infrastructure' has started to be realised, for example through our work on the Innovation Centre and a new Garden Community. Amongst initiatives to help make Maidstone a 'Thriving Place' include investment at Lockmeadow and on the Parkwood Industrial Estate. Our 'Homes and Communities' aspirations are being achieved by investment for example in temporary accommodation and new build housing schemes at Brunswick Street and Union Street. The objective of a 'Safe, Clean and Green' place has been emphasised by Council's decision to declare its recognition of global climate and biodiversity emergencies.

2.3 Covid-19 and the overall financial climate for local government have compelled the Council to re-prioritise its objectives. While the overall vision remains unchanged, the way in which it is achieved and the pace of delivery are likely to be affected. In some areas, it is recognised that funding pressures and the changed environment created by Covid-19 will lead to the Council's ambitions being modified in the short term. The pressures also demand that the Council takes a radical look at how it organises its work, leaving no stone unturned in the search for greater efficiency. Further details are set out in the proposed strategy that is described in section 7 below.

3. ECONOMIC ENVIRONMENT

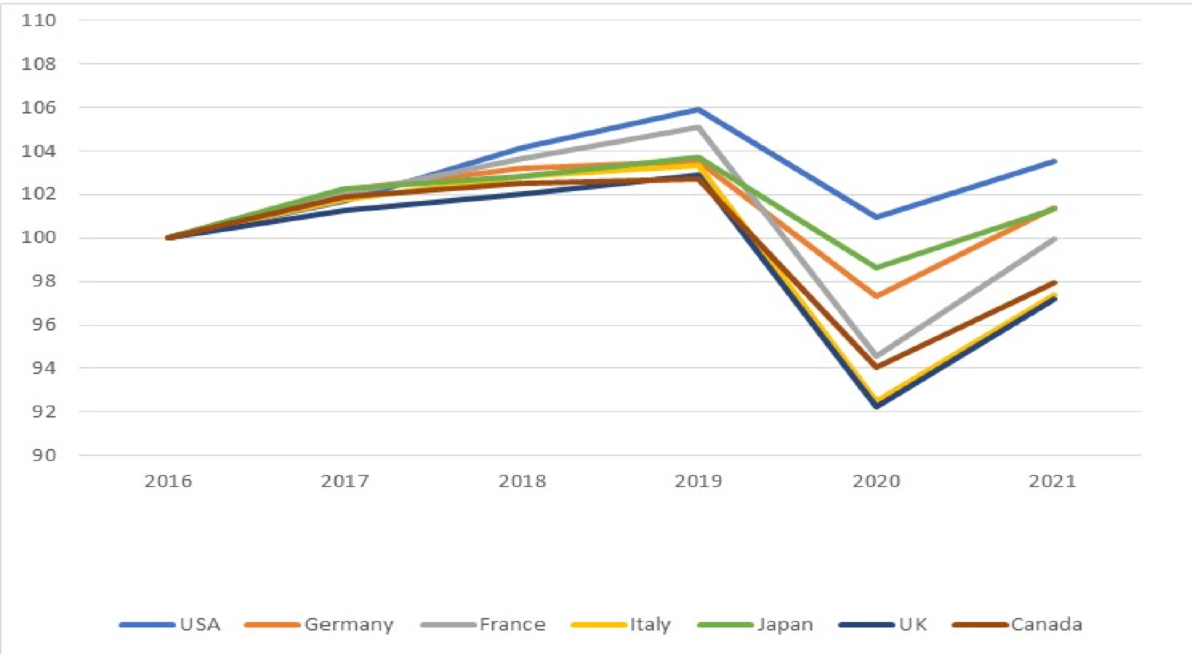
Macro outlook

3.1 Before the onset of Covid-19 in early 2020, economists were starting to identify some signs of stabilisation after a period of slowing global growth. The IMF projected that global growth, estimated at 2.9 percent in 2019, would increase to 3.3 percent in 2020 and 3.4 percent in 2021. These projections were accompanied by caveats about the risks around a further escalation in the US-China trade tensions, a no-deal Brexit, the economic ramifications of social unrest and geopolitical tensions, and weather-related disasters[1].

3.2 The UK's growth rate was projected to be slower, stabilising at 1.4 percent in 2020 and increasing to 1.5 percent in 2021. However, these forecasts assumed an orderly exit from the European Union followed by a gradual transition to a new economic relationship with the EU.

3.3 Covid-19 has changed the picture completely, with economic activity contracting dramatically during 2020. Although activity picked up in May and June as economies re-opened, as of November 2020 the pandemic is continuing to spread and the recovery has stalled. The UK, with its dominant service sector, has been hit particularly hard, with services that are reliant on face-to-face interactions, such as wholesale and retail trade, hospitality, and arts and entertainment seeing larger contractions than manufacturing. IMF projections are set out in the graph below.

Figure 1: Real Per Capita Output (Annual percent change in constant 2017 international dollars at purchasing power parity)



Source – IMF World Economic Outlook, October 2020

[1] IMF, World Economic Outlook, January 2020

The IMF projects a contraction in output in the UK of 10.4% in 2020, followed by growth of 5.4% in 2021. This is broadly consistent with the Bank of England's latest projections, which envisage a fall in GDP of 11% in Q4 of 2020.[2]

Public Finances

3.4 The government's response to Covid-19 has been to borrow on an unprecedented scale both to support public services, businesses and individuals and to absorb the impact of the downturn on tax revenues. This is expected to lead to public borrowing of £420bn (21.7% of GDP) in 2020/21[3], a level not seen outside the two world wars of the twentieth century.

3.5 In the short term, the government is able to fund this deficit without an increase in the cost of borrowing. This is because the Bank of England is likely to maintain the government's borrowing costs at historic lows, supported by quantitative easing. The second lockdown in November 2020 was accompanied by a £100 billion expansion in QE and there is likely to be more to come.

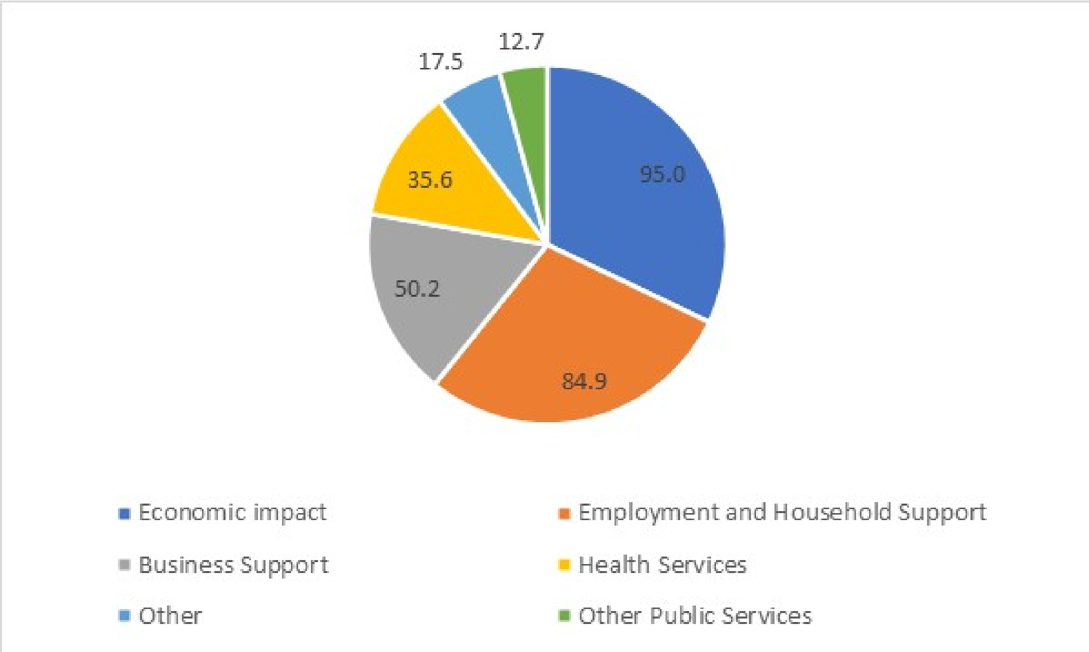
3.6 The low cost of borrowing and the need to promote economic recovery means that there is currently a strong justification for continued large scale public expenditure. However, this is not sustainable in the long term. Prior to the pandemic, public sector net debt was around 80% of national income, well above the 35% of national income seen in the years prior to the 2008 financial crisis. The Institute for Fiscal Studies forecasts that in 2024–25, public sector net debt will be just over 110% of national income in their central scenario, close to 100% of national income in their optimistic scenario and close to 130% in their pessimistic scenario.[4] When the economy eventually recovers, the IFS states that policy action will be needed to prevent debt from continuing to rise as a share of national income.

Local Government Funding

3.7 Local government forms only a small part of the overall government expenditure related to Covid-19. The pie chart below sets out the estimated impact of the various elements that have contributed to the overall increase in public borrowing this financial year.

[2] Bank of England, Monetary Policy Report, November 2020
[3] Capital Economics, UK Economic Update, November 2020
[4] Institute for Fiscal Studies, IFS Green Budget 2020, p 180

Figure 2: Drivers of increase in government borrowing 2020/21 (£ billion)



- 'Other public services' includes public transport, education and local government.
- 'Other' includes the devolved administrations, revenue measures, the Culture Recovery Fund, 'Eat Out to Help Out' and several other programmes.

Source: IFS Green Budget 2020

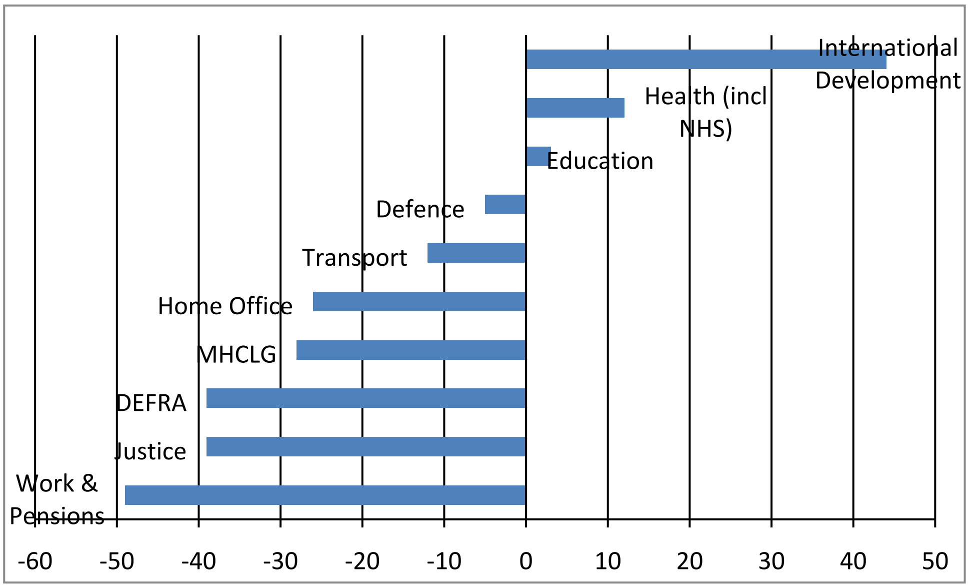
3.8 By comparison with the amounts being spent on direct support for businesses and individuals and on the NHS, local government has received relatively little support. Direct unringfenced government grants have amounted to £4.6 billion, which has been paid out in a number of different tranches as the increasing scale of the pressure on local authorities has emerged. There has also been a plethora of other grants to local councils to cover specific initiatives, typically accompanied by detailed conditions about how the grant is to be spent.

3.9 The finances of some local authorities, mostly upper tier authorities, were already fragile before the onset of Covid-19. This has led to much discussion about whether the pressures of Covid-19, on top of any pre-existing issues, would lead to individual authorities failing to balance their budgets. A number of councils have been in discussions with the Ministry of Housing, Communities and Local Government (MHCLG) about this risk. For example, the London Borough of Croydon sought additional financial support, which prompted the government to commission a review of the council's governance, culture and management of risk. The implication is that financial support for Croydon, or any other council in a similar situation, will be accompanied by an increased degree of central government involvement.

3.10 Although the incremental cost of the local government response to the pandemic has been relatively small, it is generally considered that, where local authorities have been actively involved in the response, they have performed well, taking advantage of their local knowledge and the strong professional culture of the sector. Many local authority political leaders have challenged central government over its apparent reluctance to make more use of local councils.

3.11 The relatively low value placed on local authorities' role is consistent with the way that public expenditure has been prioritised by central government in recent years. See graph below.

Figure 3: Planned real change to Departmental Expenditure Limits 2010-11 – 2019-20 (per cent)



3.12 MHCLG, which provides central government funding for local authorities, has seen some of the biggest cuts. Although the policy of austerity in the first part of the last decade has now been reversed, there has been no indication, either before or during the Covid-19 pandemic, that the current Conservative government envisages a bigger role for local authorities.

3.13 The effects of austerity in local government have not been spread evenly between authorities. The increasing costs of adult social care and children's social care – services delivered by the upper tier of local government - contribute by far the majority of the funding gap faced by the sector. In the short term, upper tier authorities such as Kent County Council currently face the greatest financial risks. In the medium term, when local government spending needs are eventually assessed against resources in the government's 'Fair Funding Review', it is likely that any rebalancing of public spending will benefit the upper tier authorities that deliver these services, rather than District Councils like Maidstone.

Conclusion

3.14 Covid-19 has had an enormous impact on the national economy and consequently on public finances. Whilst central government has spent unprecedented amounts of money to support the NHS, businesses and individuals, support for local authorities has been tailored quite strictly to their specific needs, and to specific initiatives that they have been asked to undertake by central government. Where Covid-19 has led to unsustainable pressure on individual councils' finances, it appears that any additional financial support is likely to be contingent on accepting government intervention. Councils therefore need to look, first and foremost, to measures that are within their own control to ensure financial resilience.

4. CURRENT FINANCIAL POSITION

4.1 As a lower tier authority, Maidstone Borough Council is not subject to the extreme pressures currently faced by upper tier authorities. It is nevertheless appropriate to assess the Council's financial resilience. There are a number of elements that contribute to financial resilience, according to CIPFA[5]:

– level of reserves
– quality of financial management, including use of performance information
– effective planning and implementation of capital investment
– ability to deliver budget savings if necessary
– risk management.

An assessment is set out below of how the Council performs on these measures.

Level of Reserves

4.2 Maidstone Borough Council's financial position, as shown by its most recent balance sheet, is as follows (unallocated General Fund balance highlighted, previous year shown for comparative purposes).

Table 2: Maidstone Borough Council balance sheet

	31.3.19 £ million	31.3.20 £ million
Long term assets	121.9	161.4
Current assets	32.9	28.0
Current liabilities	-29.1	-47.7
Long term liabilities	-75.0	-77.1
Net assets	50.7	64.6
Unusable reserves	-35.1	-47.4
	15.6	17.2
Represented by:		
Unallocated General Fund balance	9.2	8.8
Earmarked balances	5.8	7.8
Capital receipts reserve	0.6	0.6
Total usable reserves	15.6	17.2

4.3 The maintenance of the unallocated general fund balance is an essential part of the Council's strategic financial planning, as this amount represents the funds available to address unforeseen financial pressures.

4.4 For local authorities there is no statutory minimum level of unallocated reserves. It is for each Council to take a view on the required level having

[5] CIPFA Financial Management Code, Guidance Notes, p 51

regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters, as well as internal risks such as the achievement of savings.

4.5 Maidstone Council has historically set £2 million as a minimum level for unallocated reserves. In the light of the heightened risk environment now facing the Council, it is considered that this minimum should be increased to £4 million.

Current Position

4.6 Since the balance sheet date of 31 March 2020, the position has changed completely as a result of the Covid-19 pandemic. The Council has:

- Incurred substantial additional expenditure, in particular as a result of accommodating homeless people and establishing a community hub;
- Lost substantial income in areas such as parking;
- Suffered a reduction in Council Tax and Business Rates receipts.

These additional pressures have only been partially mitigated by government support.

4.7 As at November 2020 the likely outturn for the financial year remains unclear, given the second wave of Covid-19 infections and resulting lockdown, and potential further outbreaks in future. However, it is likely that there will be a deficit which will reduce reserves below the current level of £8.8 million.

Financial management

4.8 Financial management at Maidstone Borough Council contains a number of elements. Officers and members are fully engaged in the annual budget setting process, which means that there is a clear understanding of financial plans and the resulting detailed budgets

4.9 Detailed financial reports are prepared and used on a monthly basis by managers, and on a quarterly basis by elected members, to monitor performance against the budget. Reports to members are clear, reliable and timely, enabling a clear focus on any areas of variance from the plan.

4.10 Financial reports are complemented by performance indicators, which are reported both at the service level to the wider leadership team, and at a corporate level to members. Member reports on performance indicators are aligned with the financial reports, so that members see a comprehensive picture of how services are performing.

4.11 Financial management and reporting is constantly reviewed to ensure that it is fit for purposes and meets the organisation's requirements. Quarterly financial reports to members have been redesigned over the last two years to make them more user-friendly.

4.12 Where variances arise, prompt action is taken to address them. Action plans are put in place at an early stage if at appears that there is likely to be a budget overspend.

Capital investment

4.13 Capital expenditure proposals are developed in response to the Council's strategic priorities as part of the annual budget cycle. Capital investment must fall within one of the four following categories: required for statutory reasons, eg to ensure that Council property meets health and safety requirements; schemes that are self-funding and meet Strategic Plan priority outcomes; other schemes that are clearly focused on Strategic Plan priority outcomes; and other priority schemes which will attract significant external funding. All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code.

4.14 Member oversight is ensured, first by inclusion of schemes in the capital programme that is approved as part of the annual budget setting process. Subsequently, prior to any capital commitment being entered into, a report setting out details of the capital scheme is considered by the relevant service committee.

4.15 The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor, and includes a mechanism for progress on major projects to be reported to a Strategic Capital Investment Board.

4.16 Financial monitoring of capital projects is incorporated within the quarterly reports to Service Committees.

Ability to deliver budget savings

4.17 The Council has a good track record of delivering budget savings, whilst sustaining and investing in services. Savings initiatives are planned so far as possible across the five year period of the MTFS, rather than the focus being simply on achieving whatever savings are necessary in order to balance the budget for the coming year.

4.18 A common criticism of local authority financial planning is that proposed savings are often over-optimistic and are not based on realistic evidence of what is achievable. The Council aims to mitigate this risk with a robust process for developing budget savings proposals:

- New and updated savings proposals are sought on a regular annual cycle, with Service Managers typically briefed on the savings remit in August/September

- Savings proposals are then developed over a period of around two months

- Savings proposals have to be formally documented and signed off by the Service Head who will be responsible for delivering them.

4.19 Once savings have been built into the budget, their achievement is monitored as part of the regular financial management process described above.

Risk management

4.20 The Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

4.21 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.

- Financial impact from resurgence of Covid-19 virus
- Fees and Charges fail to deliver sufficient income
- Adverse impact from changes in local government funding
- Collection targets for Council Tax and Business Rates missed
- Adverse financial consequences from a disorderly Brexit
- Capital programme cannot be funded
- Planned savings are not delivered
- Failure to contain expenditure within agreed budgets
- Inflation rate predictions in MTFS are inaccurate
- Constraints on council tax increases
- Litigation costs exceed budgeted provisions
- Commercialisation fails to deliver additional income
- Business Rates pool fails to generate sufficient growth
- Shared services fail to meet budget
- Council holds insufficient balances
- Increased complexity of government regulation.

It is recognised that this is not an exhaustive list. By reviewing risks on a regular basis, it is expected that any major new risks will be identified and appropriate mitigations developed.

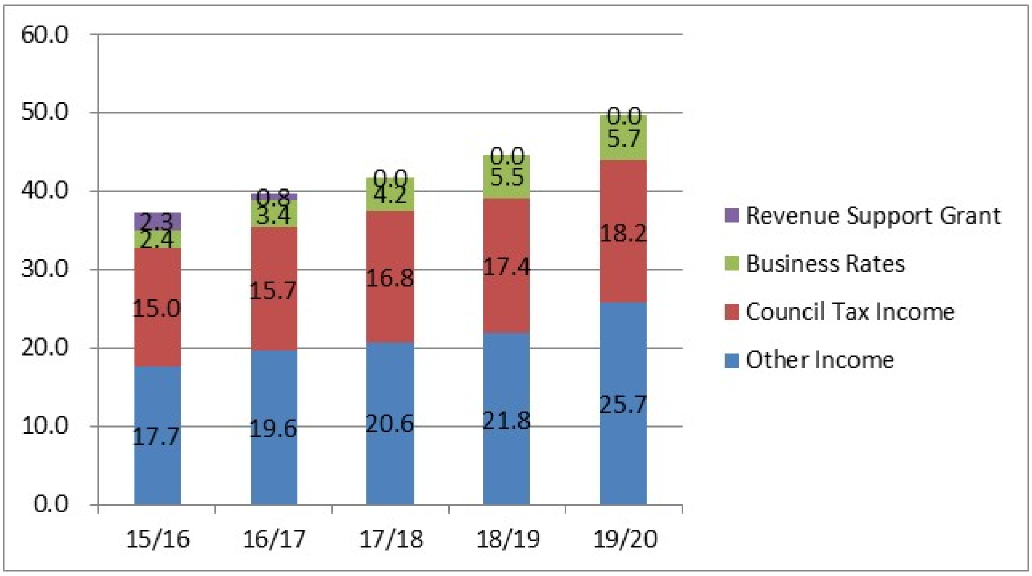
Conclusion

4.22 When assessed against the CIPFA criteria for financial resilience, the Council can be seen to be to have adequate reserves in the short term and to be positioned well to manage the financial challenges it will face. The following section considers whether this position is sustainable.

5. AVAILABLE RESOURCES

5.1 The Council's main sources of income are Council Tax and self-generated income from a range of other sources, including parking, planning fees and property investments. It no longer receives direct government support in the form of Revenue Support Grant; although it collects around £60 million of business rates annually, it retains only a small proportion of this.

Figure 4: Sources of Income (£ million)



Council Tax

5.2 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.

5.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

Table 4: Number of Dwellings in Maidstone

	2016	2017	2018	2019	2020
Number of dwellings	68,519	69,633	70,843	71,917	73,125
% increase compared with previous year	1.18%	1.63%	1.74%	1.52%	1.68%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

5.4 Whilst the effect of the increased number of dwellings is to increase the Council Tax base, this is offset by the cost of reliefs for council tax payers, in particular Council Tax support, and any change in the percentage of Council Tax collected. Covid-19 has led both to an increase in the number of Council Tax support claimants and a fall in the collection rate.

5.5 The level of council tax increase for 2021/22 is a decision that will be made by Council based on a recommendation made by the Policy and Resources Committee. The Council's ability to increase the level of council tax is limited by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2020/21 was the greater of 2% or £5.00 for Band D tax payers. Council Tax was increased by the maximum possible, ie £5.13 (2%).

Other income

5.6 Other income is an increasingly important source of funding for the Council. It includes the following sources of income:

- Parking
- Shared services
- Commercial property
- Planning fees
- Cremations
- Garden waste collection
- Income generating activity in parks

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

5.7 Other income, particularly parking, has been seriously affected by Covid-19. Whilst the government has committed to compensating local authorities for 70% of lost income above a 5% threshold in 2020/21, there has been no guarantee of ongoing support in the event that income fails to return to pre-Covid-19 levels.

Business Rates

5.8 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council receives only around 7% of the business rates that it collects.

5.9 Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention with effect from 2020. The additional income would have been accompanied by devolution of further responsibilities to local government. However, the need to accommodate Brexit legislation meant that there was no time to legislate for this. The Government indicated that they would increase the level of business rates retention to the extent that it was able to do within existing legislation, and had originally planned to introduce 75% business rates retention with effect from 2021/22. However, these plans have been delayed for at least another 12 months owing to the Covid-19 pandemic.

5.10 In the meantime, the November Spending Review is expected to mean a 'roll-forward' settlement for local government in 2021/22, with the existing 50% scheme retained and the amounts retained by individual local authorities increased in line with inflation.

5.11 Any new business rates retention regime, coming into effect in 2022/23 or subsequently, would be linked to a mechanism for rates equalisation to reflect local authorities' needs. These will be assessed based on a 'Fair Funding Review'. The overall amounts to be allocated as part of the Fair Funding Review are yet to be determined. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone will remain the same, increase or decrease from 2021/22 onwards.

5.12 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool has hitherto bee allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development.

5.13 It should be noted that in 2022, the baseline will be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 5.10 above.

5.14 Total projected business rates income for 2020/21, and the ways in which it was originally intended to deploy it, are summarised in the table below.

Table 5: Projected Business Rates Income 2020/21

	£000	
Business Rates baseline income	3,260	Included in base budget
Growth in excess of the baseline	1,210	Included in base budget
Pooling gain (MBC share)	542	Funds Economic Development projects
Pooling gain (Growth Fund)	542	Spent in consultation with KCC, eg on Maidstone East
Total	5,554	

5.15 These are budgeted amounts. The actual amounts received will be lower if Covid-19 continues to have an adverse impact on collection performance.

Revenue Support Grant

5.16 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant, as it is considered to have a high level of resources and low needs. In fact, Councils in this situation were due to be penalised by the government under the existing four year funding settlement, through a mechanism to levy a 'tariff / top-up adjustment' – effectively negative Revenue Support Grant. Maidstone was due to pay negative RSG of £1.589 million in 2020/21. However, the government faced considerable pressure to waive negative RSG and removed it in the 2020/21 Local Government Finance Settlement. The government has also stated that it is minded not to levy negative RSG in 2021/22.

5.17 From 2021/22 there will be a new local government funding regime. However, it should be noted that a needs-based distribution of funding will continue to create anomalies like negative RSG, so it cannot be assumed that the threat of losing funding in this way (even if the mechanism is different) has gone away.

Conclusion

5.18 It can be seen that ongoing revenue resources are likely to adversely affected by the Covid-19 pandemic in the short term, at a time when services pressures are likely to increase. The previous section indicated that the Council's reserves, while adequate, do not leave it with a large amount of flexibility. This puts a premium on accurate forecasting and strong financial management.

6. SCENARIO PLANNING

6.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about what the government's plans for local government funding will mean for the Council, financial projections have been prepared for three different scenarios, as follows.

1. Favourable

The economy recovers rapidly from the impact of the Covid-19 pandemic. The effect is that its previous growth trajectory resumes from 2022/23 onwards and this feeds through to income from Council Tax, Business Rates and other sources. Inflation remains under control and within the government's 2% target.

2. Neutral

Covid-19 has a more longer-lasting impact, with some permanent scarring of the economy. The result is that Council income starts growing again, but does not resume its previous pattern until the end of the five year planning period. Inflation remains within the government's 2% target.

3. Adverse

There continue to be outbreaks of Covid-19, and future international trading arrangements fail to replicate the economic benefits of EU membership. As a result, the economy is slower to recover and sterling falls in value against other currencies, leading to a resurgence of inflation. This both reduces Council income and leads to increased service pressures in areas like homelessness.

Details of key assumptions underlying each of these scenarios are set out below.

Council Tax

6.2 It is assumed that the Council will take advantage of any flexibility offered by central government and will increase Council Tax up to the referendum limit, which is assumed to be 2% in 2021/22. It is not known at this stage what the referendum limit will be for subsequent years, but it is assumed to be 2%, to align with the government's inflation target.

6.3 The other key assumption regarding Council Tax is the change in the Council Tax base. The number of properties in Maidstone has grown by over 1.5% for the past four years. However, if there is a downturn in the economy, this rate of increase could fall. Moreover, Covid-19 is likely to reduce the amount of Council Tax collectible from each household. Assumptions are as follows:

	21/22	22/23 onwards
Favourable	1.0%	2.0%
Neutral	-0.5%	1.5%

Adverse	-2.0%	1.0%

Business Rates

6.4 It is likely that for 2021/22, the government will roll forward the existing arrangements, with an increase in the business rates baseline to reflect inflation.

6.5 After 2022, the proportion of business rates retained by the authority will be adjusted to reflect the findings of the Fair Funding Review and the Spending Review. It is very difficult to predict what this will mean in practice. However, for the purposes of revenue projections, a number of assumptions have been made.

6.6 The starting point in the government's calculations will be Maidstone's perceived level of need, which in the current four year funding settlement led to the Council being faced with a negative revenue support grant payment of £1.589 million in 2020/21. In the event, this was not levied on the Council, following concerted lobbying by Maidstone and other authorities that faced negative RSG. The amount of negative RSV thus avoided in 2020/21 is being held in reserve to address likely future funding pressures.

6.7 The starting point for future business rates income is therefore assumed to be the current baseline share of business rates income, as adjusted for inflation in 2021/22, less £1.589 million. It is not accepted that this would be a fair allocation of business rates income but it is nevertheless prudent to make this assumption for forecasting purposes.

6.8 A further factor to be considered is the resetting of the government's business rates baseline. This represents the level above which the Council benefits from a share in business rates growth. It is likely that the government will reset the baseline in order to redistribute resources from those areas that have benefitted most from business rates growth in the years since the current system was introduced in 2013, to those areas that have had lower business rates growth. Accordingly, cumulative business rates growth has been removed from the projections for 2022/23, then is gradually reinstated from 2023/24.

6.9 Given these assumptions, the specific assumptions for business rates growth in each scenario are as follows:

	2021/22		2022/23 onwards	
	Baseline growth	Local growth	Baseline growth	Local growth
Favourable	5.0%	0.0%	3.0%	3.0%
Neutral	0.0%	-5.0%	2.0%	2.0%
Adverse	-5.0%	-10.0%	0.0%	0.0%

Inflation

6.10 For the purpose of forecasting, it is assumed that the government's target rate of inflation is 2% is achieved in the favourable and neutral scenarios. A higher rate of 3% is assumed in the adverse scenario, reflecting the risk of increases in input prices pushing up inflation rates.

Pay inflation

6.11 Pay is the Council's single biggest item of expenditure, accounting for around 50% of total costs. Although the Council sets pay rates independently of any national agreements, in practice it has to pay attention to overall public sector and local authority pay settlements, as these affect the labour market in which the Council operates. It is assumed for the first three years of the MTFS planning period that the annual increase will be 1%. An additional 0.5% has to be allowed for in pay inflation assumptions arising from the annual cost of performance related incremental increases for staff.

Fees and charges

6.12 Fees and charges are affected by changes both in price levels and in volume. The projections imply that the level of fees and charges will increase in line with overall inflation assumptions, to the extent that the Council is able to increase them. In practice, it is not possible to increase all fees and charges by this amount as they are set by statute. Accordingly, the actual increase in income shown in the projections is 50% of the general inflation assumption in each scenario.

6.13 The sensitivity of fees and charges income to overall economic factors varies across different income streams. Parking income is highly sensitive, and has been very severely affected by the Covid-19 pandemic. Other sources of income, such as income from industrial property holdings, are more stable.

Contract costs

Costs are generally assumed to rise in line with inflation, but a composite rate is applied to take account of higher increases on contracts like waste collection where the growth in the number of households leads to a volume increase as well as an inflation increase.

6.14 Inflation assumptions are summarised as follows.

Table 6: Inflation Assumptions

	Favourable	Neutral	Adverse	Comments
General	2.00%	2.00%	3.00%	2% is the government's target inflation rate but in reality it is likely to be lower in the next few years.
Employee Costs	1.00%	1.00%	2.00%	Neutral assumption is in line with the most recent pay settlement and government inflation targets
	0.50%	0.50%	0.50%	The annual cost of performance related

	Favourable	Neutral	Adverse	Comments
				incremental increases for staff
Contract costs	2.00% - 5.00%	2.00% - 5.00%	2.00% - 8.00%	A composite rate is applied, reflecting different pressures on individual contracts
Fees and charges - price	2.00%	2.00%	3.00%	In line with general inflation assumptions
Fees and charges - volume	2.00%	0.00%	-2.00%	Reflects overall economic conditions

Service Spend

6.15 Strategic Revenue Projections under all scenarios assume that service spend will remain as set out in the previous MTFS, so savings previously agreed by Council will be delivered and no further growth arising from the new Strategic Plan is incorporated. In practice, it is likely that service spending would need to be reduced if the adverse scenario were likely to arise.

6.16 The projections include provision for the revenue cost of the capital programme, comprising interest costs (2.5%) and provision for repayment of borrowing (2%).

Summary of Projections

6.17 A summary of the financial projections under the neutral scenario is set out in section 7.

7. REVENUE PROJECTIONS

7.1 Strategic revenue projections, based on the assumptions set out above, are summarised in table 7 below for the 'neutral' scenario. More detailed projections are included in Appendix C.

7.2 In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. These projections will be updated as more information becomes available, prior to a final version of the projections being included in the Medium Term Financial Strategy to be presented to Council in February 2021.

Table 7: Strategic Revenue Projections 2021/22-2025/26

	20/21	20/21	21/22	22/23	23/24	24/25	25/26
	Orig budget	Latest projn	Forecast				
	£m	£m	£m	£m	£m	£m	£m
Council Tax	16.8	16.1	17.1	17.7	18.3	19.0	19.6
Business Rates	4.5	3.7	3.9	3.3	3.5	3.8	4.1
Other Income	21.7	17.4	18.8	20.0	21.2	22.9	23.7
Total Funding Available	43.0	37.2	39.8	41.0	43.0	45.7	47.4
Predicted Expenditure[1]	43.0	43.2	43.1	41.6	43.0	45.0	47.1
Budget Gap	0.0	-6.0	-3.3	-0.6	0.0	0.7	0.3
Existing Planned Savings			0.9	0.6	0.2		
Contribution to Reserves					0.2	0.7	0.3
Residual Budget Gap			-2.4	-0.0	0.0	0.0	0.0

[1] Predicted Expenditure assumes that Existing Planned Savings and Savings Required arising in the preceding year have been delivered and are built into the budget.

7.3 The above table shows that, based on the 'neutral' scenario, income will recover from the levels projected in 2020/21, and one-off additional expenditure will reduce. However, there will not be a full recovery, with income remaining below the levels previously projected. In the absence of any mitigating action, this would lead to a deficit, smaller than the £6.0 million projected in the current year, but still very significant.

7.4 The MTFS must balance the very tight financial constraints set out in previous sections with the requirement to deliver the Strategic Plan. Members considered at Policy and Resources Committee on 16th September 2020 a number of ways in which the objectives in the Strategic Plan could be re-prioritised, including:

- A more modest direction of travel in developing the museum
- Reconsidering the sustainability of the Hazlitt Theatre
- Reviewing the scope of our community safety work.

7.5 At the same time, as agreed by the Committee at its meeting on 21st July 2020, a radical and ambitious approach is required to transforming the way the Council does business. This includes:

- Review of office accommodation
- Better use of technology
- Better use of external grant funding
- Identifying further opportunities for income generation
- Absorb overhead costs of delivering the capital programme within the cost of individual schemes
- Better service commissioning
- Review of shared service arrangements
- Review of staff reward packages
- Review of the structure of democratic representation
- Exploit synergies between service areas.

A further area for exploration that was identified in the report to Policy and Resources Committee on 21st July, absorbing the overhead costs of project delivery within the savings from individual projects, will be reflected when examining project feasibility, in particular in the area of better use of technology.

7.6 The overall approach will be that nothing is excluded from consideration, including proposals made in the past but rejected at the time.

7.7 It is recognised that savings proposals emerging from this work will not be capable of being implemented over the next twelve months. In the meantime it will therefore be necessary to deploy earmarked reserves, including resources hitherto earmarked for other purposes, such as New Homes Bonus and uncommitted Business Rates Growth proceeds. This is a departure from the Council's existing policy, but is considered to be justified given the scale of the budget gap that the Council faces.

7.8 The following table plots the projected savings trajectory against the SRP projections and shows the impact on reserves. It assumes that one-off funding from New Homes Bonus and the Business Rates Pool can be deployed to meet the budget shortfall. Both of these resources are time-limited. New Homes Bonus is expected to be phased out over the next few years. The Business Rates Pool gives the Council a share of growth in excess of the business rates baseline, but the baseline is expected to be reset in 2022/23.

Table 8: Use of Reserves

	21/22	22/23	23/24	24/25	25/26
	£m	£m	£m	£m	£m
Savings Required (from Table 7)	-2.4	0.0	0.0	0.0	0.0
Proposed savings	1.0	0.4	0.4	0.2	0.0
Savings shortfall b/f		-1.4	-1.0	-0.6	-0.4
Savings shortfall c/f	-1.4	-1.0	-0.6	-0.4	-0.4
New Homes Bonus	2.3	1.2			
Additional borrowing costs/MRP	-0.1	-0.2	-0.2	-0.2	-0.2

arising from use of NHB for revenue					
Business Rates Pool surplus (est)	0.3				
Contribution to reserves			0.2	0.7	0.3
General Fund reserves b/f	6.8	7.9	8.0	7.4	7.6
General Fund reserves c/f	7.9	8.0	7.4	7.6	7.3

7.9 The above table shows that by using New Homes Bonus, the Council can sustain reserves at broadly the same level as at present.

7.10 Note that there are a number of risks inherent in this approach. It assumes that the budget gap will not widen further over the next three years, and therefore that the level of savings currently projected will be adequate. It also requires a sustained effort to deliver savings over a long period of time. However, these risks need to be weighed against the feasibility of making large scale savings in a short period of time and the disruptive effect that this might have.

8. CAPITAL STRATEGY

8.1 The capital programme plays a vital part in delivering the Council's strategic plan, since long term investment plays an essential role in realising our ambitions for the borough. The cost of the capital programme is spread over the lifetime of investments, so does not have such an immediate impact on the revenue budget position. However, there are revenue consequences to the capital programme. Maidstone Borough Council borrowed to fund its capital programme for the first time in 2019/20. The cost of borrowing is factored into the 2020/21 budget, along with a Minimum Revenue Provision which spreads the cost of loan repayments over the lifetime of an asset. The budgeted total revenue costs of the capital programme in 2020/21 amounted to £1.870 million.

8.2 Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, which offers rates that are usually more competitive than those available in the commercial sector. Prior to 2019/20, Maidstone Borough Council had not borrowed to fund its capital programme, instead relying primarily on New Homes Bonus to fund the capital programme. Borrowing has not been required so far in 2020/21, but is likely to be in subsequent years. The cost of any borrowing is factored into the MTFS financial projections.

8.3 Public Works Loan Board funding has for several years offered local authorities a cheap source of finance, which has been used more and more extensively. The government is expected to revise the terms of PWLB borrowing to ensure that local authorities use it only to invest in housing, infrastructure and public services. Given the Council’s capital strategy, this should not prevent us accessing PWLB borrowing. In any case, given that borrowing costs in the market generally remain very low, it is considered likely that local authorities will be able to continue to borrow cheaply from other lenders, if not from the PWLB.

8.4 There has been a reduction of the period for which New Homes Bonus would be paid from six years to five in 2017/18 and then to four in 2019/20 and 2020/21. The government is likely to pay New Homes Bonus on a one-year only basis in 2021/22, but under the new Local Government funding regime to be implemented from 2022/23 a new, unspecified mechanism for incentivising housebuilding is envisaged.

8.5 External funding is sought wherever possible and the Council has been successful in obtaining Government Land Release Funding for its housing developments and ERDF funding for the Kent Medical Campus Innovation Centre.

8.6 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL). The Community Infrastructure Levy was introduced in Maidstone in October 2018.

8.7 The current funding assumptions used in the programme are set out in the table below.

Table 9: Capital Programme Funding

	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
External sources	4,738	10,175	3,881	2,232	2,242	23,268
Own resources	530	517	537	568	580	2,732
Debt	32,997	11,604	13,262	12,284	12,272	82,418
TOTAL	**38,265**	**22,296**	**17,680**	**15,084**	**15,094**	**108,418**

8.8 Under CIPFA's updated Prudential Code, the Council is now required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy was approved by Council at its meeting on 26th February 2020 and will be updated in February 2021.

8.9 The existing capital programme was approved by Council at its budget meeting on 26th February 2020. Major schemes include the following:

- Completion of Brunswick Street and Union Street developments
- Granada House extension
- Further mixed housing and regeneration schemes
- Purchase of housing for temporary accommodation
- Flood Action Plan
- Mote Park Improvements
- Further investment at Lockmeadow Leisure Complex
- Commercial Property Investments
- Kent Medical Campus Innovation Centre
- Mall Bus Station Improvements
- Biodiversity and Climate Change.

8.10 The capital programme for 2020/21 has been reviewed in the light of the Covid-19 pandemic. The majority of projects in the current programme are either already under way, are required for health and safety reasons, or must be carried out to meet contractual commitments. However, it is proposed that a number of projects are deferred to 2021/22, which will have the effect of reducing the in-year revenue costs of capital expenditure.

8.11 The capital programme is reviewed every year. In carrying out the annual review, prior to presentation of revenue and capital budget proposals to Council in February 2021, consideration will be given as to how the capital programme can support the process of recovery from Covid-19, eg by investing in projects that have a positive effect on employment and economic regeneration.

8.12 A review of the schemes in the capital programme is currently under way. Proposals will be considered for new schemes to be added to the capital programme, whilst ensuring that the overall capital programme is sustainable and affordable in terms of its revenue costs. An updated capital programme will be considered by Policy and Resources Committee in January 2021 and recommended to Council for approval.

9. CONSULTATION AND NEXT STEPS

9.1 Each year the Council carries out consultation as part of the development of the MTFS. A budget survey has been carried out and is attached as Appendix D.

9.2 Consultation will be undertaken with the business community, including a presentation to the Maidstone Economic Business Partnership.

9.3 Consultation will also take place in January 2021 on the detailed budget proposals. Individual Service Committees considered the budget proposals relating to the services within their areas of responsibility. Full details of the proposals were published and residents' and businesses' views welcomed.

9.4 The process of member consultation on the MTFS is as follows:

Meeting	***Date***
Policy and Resources Committee	25 November 2020
Communities Housing & Environment Committee	1 December 2020
Strategic Planning & Transportation Committee	8 December 2020
Economic Regeneration & Leisure Committee	15 December 2020
Council	24 February 2021

Document History

Date	Description	Details of changes
25.11.20	Draft to Policy & Resources Committee	

APPENDIX D

Budget 2021/22

CONSULTATION REPORT

CONSULTATION@MAIDSTONE.GOV.UK
POLICY & INFORMATION TEAM

Contents

Key Findings

- 29.3% (±2.8%) of respondents agreed that Maidstone Borough Council provides value for money.

- Answers to this question are split roughly one third each between 'agree', 'neither agree nor disagree' and 'disagree'. This is consistent with our findings in earlier years, although this year the proportion disagreeing that the Council provides good value for money has increased for the first time in four years.
- 28.4% (±2.8%) said Council Tax should increase to help close the budget gap. While six in ten respondents said there should be no increase in Council Tax.

- Just over one in five respondents said that the Council should increase fees and charges. The top three areas for fee increases chosen by these respondents were building control, planning advice and festivals and events.

- Prioritisation of investment programmes remains the same from 2019, with Infrastructure including flood preventions and street scene scoring highly and new homes the lowest scoring priorities.

- More than half of all respondents said that charges should not be introduced in new areas/ for services.

- The top two most important services provided by the Council to residents were waste collection and parks and open spaces.

- The proportion of residents dissatisfied with their local area as a place to live has dropped from just over a quarter in 2019 to just under a fifth for 2020.

- 51.1% (±3.1%) said they were either 'Very proud' or 'Fairly proud' of Maidstone Borough. This is an increase of 11.4 percentage points compared to the result for 2019.

Methodology

The survey was open between 7 October and 5 November 2020. It was promoted online through the Council's website and social media channels. Residents who have signed up for consultation reminders were notified and sent an invitation to participate in the consultation.

The data has been weighted by age and gender based on the population in the ONS mid-year population estimates 2019 to ensure that the results more accurately match the known profile of Maidstone Borough's population. While this approach assists in achieving a more representation sample for analysis, some groups remain under-represented.

There were 1007 weighted responses (1039 unweighted responses) to the survey. Based on Maidstone's population aged 18 years the overall results are accurate to approximately ±3.1% at a 95% confidence level. This means that if the same survey was repeated 100 times, 95 times out of 100 the results would be between ±3.1% of the calculated response, so the 'true' response could be 3.1% above or below the figures reported (i.e. a 50% agreement rate could in reality lie within the range of 46.9% to 53.1%). Confidence intervals for individual questions are shown as plus/minus percentages in brackets.

When the sample size is smaller, as is the case for certain groups, the confidence intervals are wider as it is less certain that the individuals in the sample are representative of the population. This means that it is more difficult to draw inferences from the results.

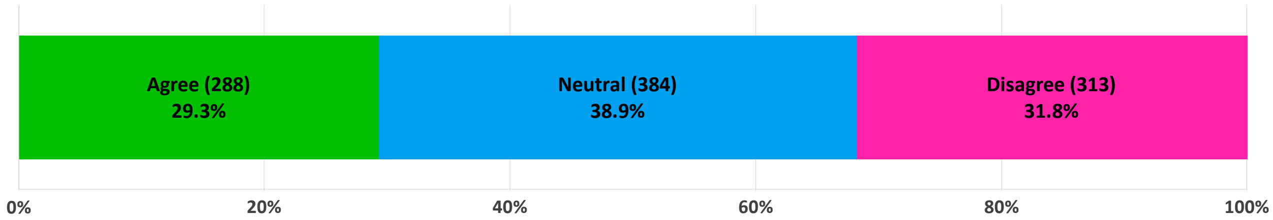
Under-representation of 18 to 34-year olds means that high weights have been applied to responses in this group, therefore results for this group should be treated with caution. Respondents from BAME backgrounds are also under-represented at 5.0% compared to 5.9% in the local area. Due to a small sample size after weighting the BAME respondent group has greater confidence intervals. This means what appear to be a large gap between BAME respondents and white respondents could be up to ±14% the reported figure, depending on the number of responses to each question.

Where reference has been made in the report to a 'significant difference' in response between groups, the proportional data has been z-tested and means have been t-tested. These tests determine if the difference between subgroups is large enough, taking into account the population size, to be statistically significant (meaning that if we were to run the same survey 100 times, at least 95 times out of 100 the same result would be seen) or whether the difference is likely to have occurred by chance. Where references have been made to a relationship between variables, chi-squared tests have been undertaken. This test compares observed (actual) and expected (theoretical) values in order to establish whether there is a significant relationship between two variables being compared.

Please note that not every respondent answered every question, therefore the total number of respondents refers to the number of respondents for the question being discussed, not to the survey overall.

Value for money

Survey respondents were asked to 'what extent do you agree or disagree that Maidstone Borough Council provides value for money'. There was a total of 985 responses.

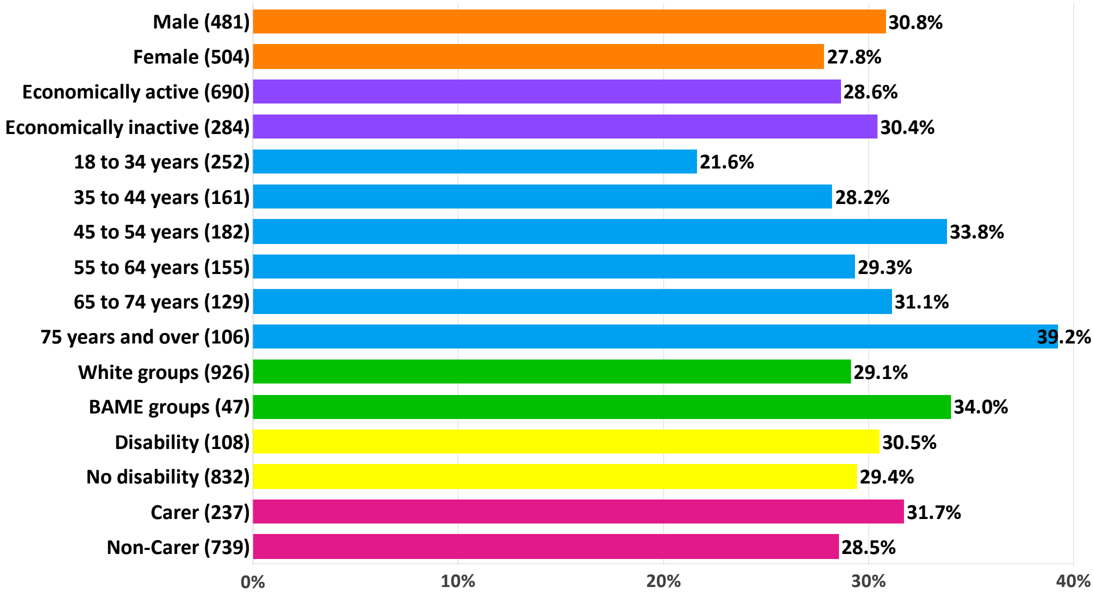


The most common response was 'Neither agree nor disagree' with 384 responding this way. 29.3% (±2.8%) of respondents agreed that Maidstone Borough Council provides value for money.

This question was previously asked in the 2019/20 Budget Survey and 33.2% of residents agreed with this question. In the 2018 Budget Survey 33.4% agreed and in the 2017 resident survey 30.2% of respondents agreed.

Since 2017 the proportion of people responding negatively to this question had declined from 28.6% in 2017 to 26.9% in 2019. The 2020 Budget Consultation is the first time in four years that the proportion responding negatively to this question has increased.

The chart below shows the proportions responding positively (Strongly agree and Agree combined).



	There were no significant differences in the proportions responding positively or negatively in terms of gender.
	Economically active respondents were more likely than economically inactive respondents to answer negatively with 34.4% (±3.5%) answering this way compared to 25.2% (±5.0%) of economically inactive respondents.

	While the proportions from these groups responding positively is comparable, economically inactive respondents had a significantly greater proportion responding neutrally.
	18 to 34 year olds had the greatest proportion responding negatively at 43.0% (±6.1%). This was significantly higher than the proportions responding this way for the age groups 44 years and over. The 75 years and over group had the greatest proportion responding positively at 39.2% (±9.3%). Almost half of this group responded negatively, the greatest proportion responding this way across all age groups.
	There were no significant differences in the response to this question in terms of ethnicity.
	There were no significant differences in the response to this question between respondents with a disability and those without a disability.
	A significantly greater proportion of non-carers answered this question neutrally with 40.8% (±3.5%) responding this way compared to 31.9% (±5.9%) of carers.

Council Tax

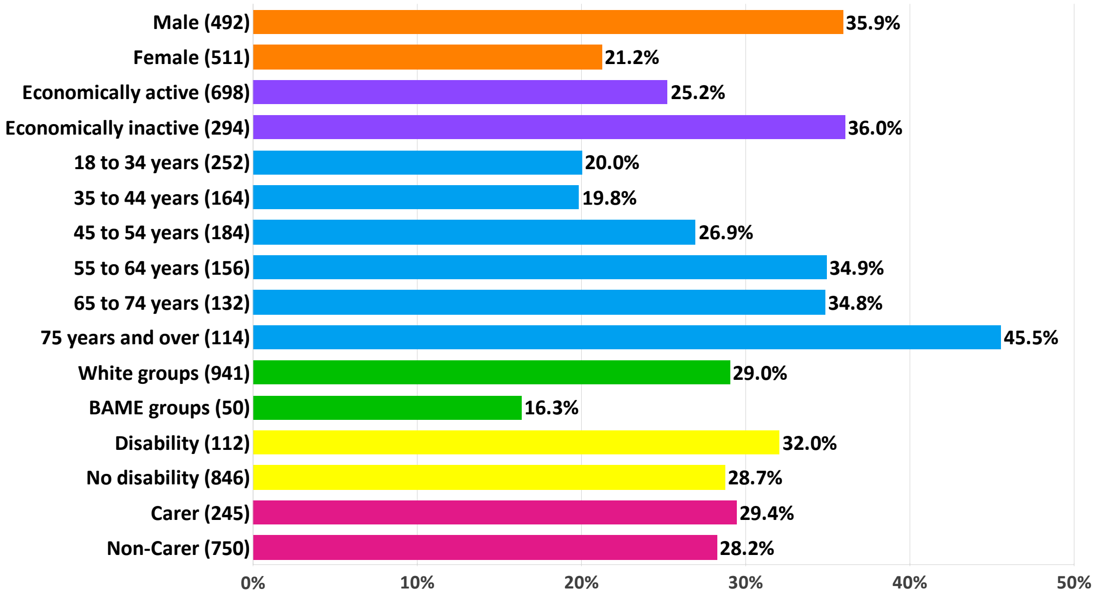
Appetite for increase

The survey asked respondents if they thought that Council Tax for 2021/22 should be increased to help close the budget gap. There were 1003 responses to this question.

The most common response was 'No' with 609 responding this way. 28.4% (±2.8%) of respondents said that Council Tax should increase to help close the budget gap.

This question was asked in the 2019 Budget Consultation (without the wording to' help close the budget gap'). Since then the proportion responding 'Yes' has increased (2019 Budget Survey 24.1%). While the proportion responding 'No' has remained consistent, the proportion responding 'Not sure' has declined from 16.1% in 2019 to 10.8% for 2020.

The chart below shows the proportion responding 'Yes' across the different demographic groups.

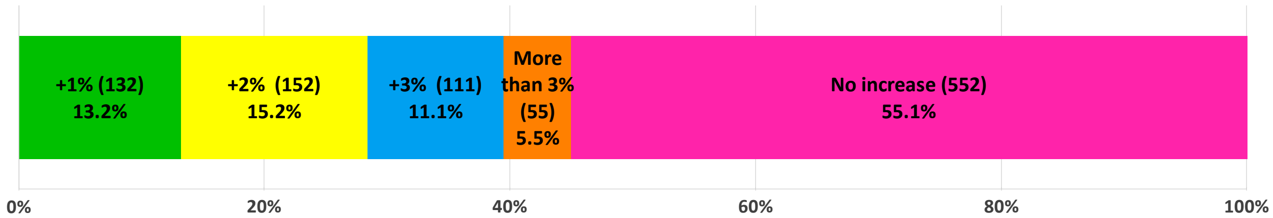


	Male respondents had a significantly greater proportion answering 'Yes' at 35.9% (±4.2%) compared to female respondents where 21.2% (3.5% answered this way). Female respondents had a significantly greater proportion responding 'Not sure' with 15.1% (±3.1%) answering this way compared to 6.3% (±2.1%) of male respondents.
	There were significant differences between the proportions of economically active and economically inactive respondents answering both positively and negatively. 65.0% (±3.5%) of economically active respondents answered 'No' compared to 50.6% (±5.7%) of economically active respondents.

	Analysis shows that there is a significant liner relationship between this question and age. The proportions responding 'No' decreases with age and the proportion responding 'Yes' increases with age.
	There were no significant differences in how those from white groups and those from BAME groups responded to this question.
	There were no significant differences in how those with a disability and those without a disability responded to this question.
	There were no significant differences in how those who provide care (Carers) and those who do not provide care responded to this question.

Acceptable levels for increase

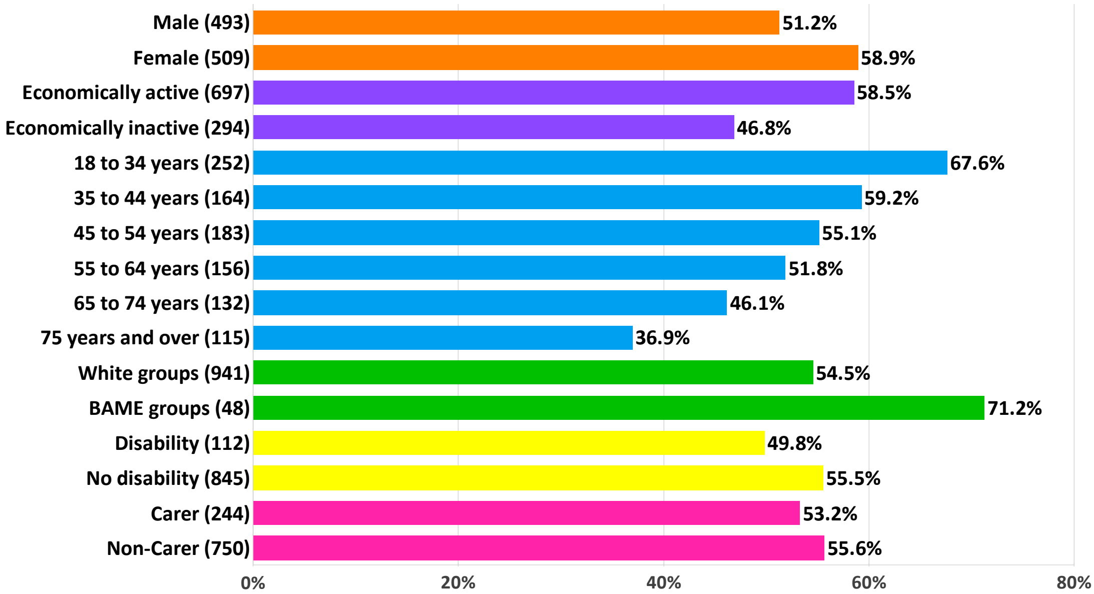
Survey respondents were asked to indicate how much more, if any, Council Tax they would be willing to pay to help close the budget gap. There were 1002 responses to this question.



The most common response was 'No increase' with 55.1% (±3.1%) answering this way. Overall, 44.9% (±3.1%) indicated that Council Tax should be raised to help the budget gap by selecting a percentage increase. This is significantly greater than the proportion responding 'Yes' to the previous more general question. In the survey this question was presented with the average increase per household, providing more details about how a proportion increase translates into money terms. This allowed for a more informed decision to be made and therefore accounts for the greater proportion of respondents amenable to an increase.

The proportion responding 'No increase' has increased by 7.6 percentage points since 2019 when this question was last asked as part of the 2019/20 Budget Survey, increasing from 47.5% to 55.1%.

The chart below shows the proportion responding ‘No increase’ across the different demographic groups.

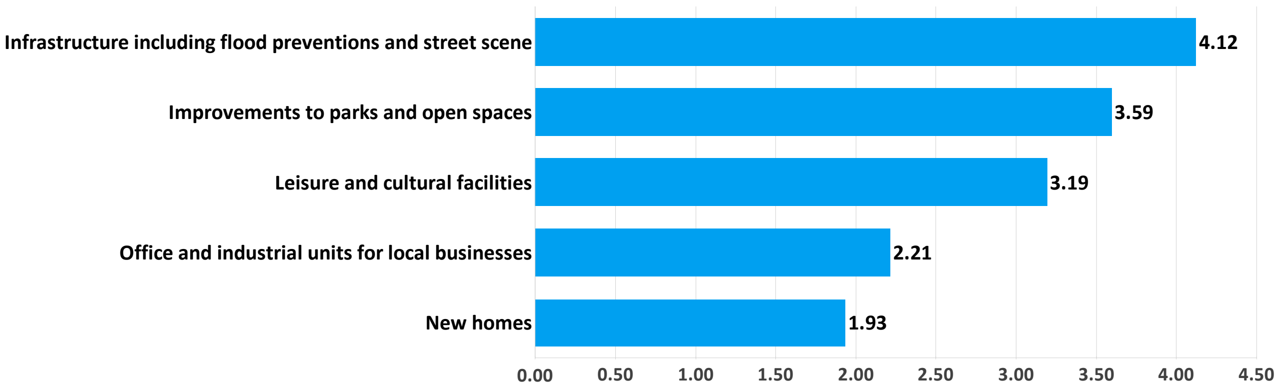


	Female responders had a significantly lower proportion selecting an increase amount compared to male respondents. Where an increase was selected female respondents favoured a 1% increase with 81 answering this way. Male respondents favoured a 2% increase with 87 answering this way.
	Economically active respondents had a significantly greater proportion responding ‘No increase’ compared to economically inactive respondents. Where an increase was selected, both groups favoured a 2% increase with 96 economically active respondents and 55 economically inactive respondents answering this way.
	Analysis shows that there is a significant liner relationship between this question and age. The proportions responding ‘No increase’ decreases with age and the proportion selecting an increase amount, increases with age.
	Respondents from BAME groups had a significantly greater proportion responding ‘No increase’ than white group respondents. Where an increase was selected BAME respondents favoured a 3%+ increase with 6 answering this way and white group respondents favoured a 2% increase with 147 answering this way.
	There were no significant differences in how those with a disability and those without a disability responded to this question.
	There were no significant differences in how those who provide care (Carers) and those who do not provide care responded to this question.

Investment Programme Priorities

Survey respondents were asked to place a list of investment programme priorities into their preferred order of importance. A total of 879 respondents ranked the investment priorities.

To assess this data, a weighted average has been used. The programmes placed first received five points and the programmes ranked last were given 1 point. These were then added together and divided by the number of respondents to give a weighted average.

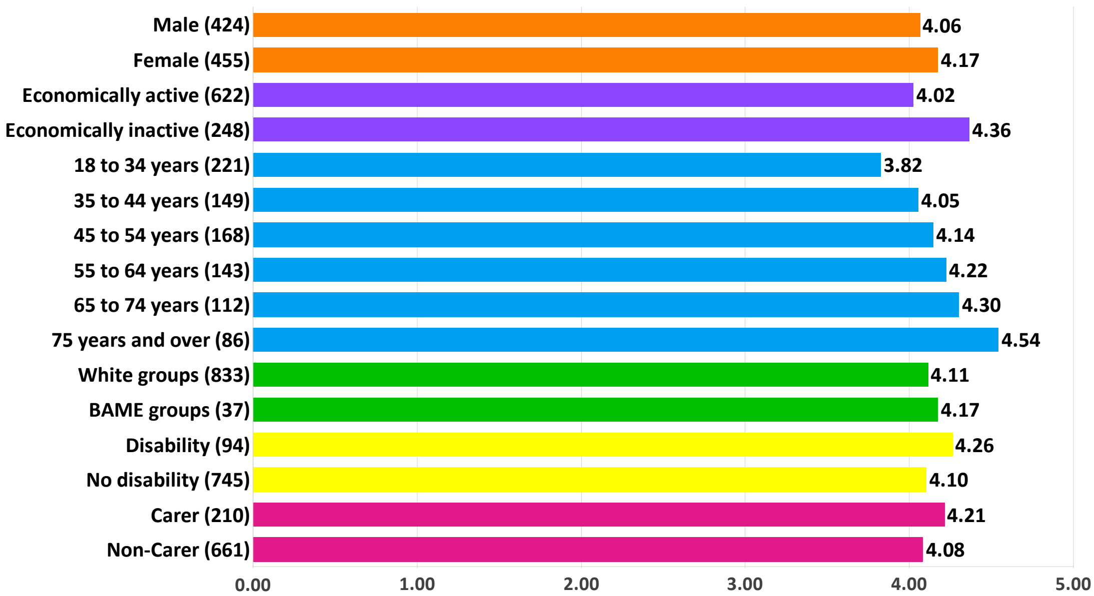


This question was asked in the 2019/20 Budget Survey, undertaken in Autumn 2019. The priorities were placed in the same order as above.

Infrastructure including flood preventions and street scene

Overall, 467 (53.2%) respondents placed 'Infrastructure including flood preventions and street scene' as their top investment priority. This is comparable to the 2019 Budget survey where 52.2% placed this priority as first.

The following chart shows the mean score across the demographic groups for the priority 'Infrastructure including flood prevention and street scene'.

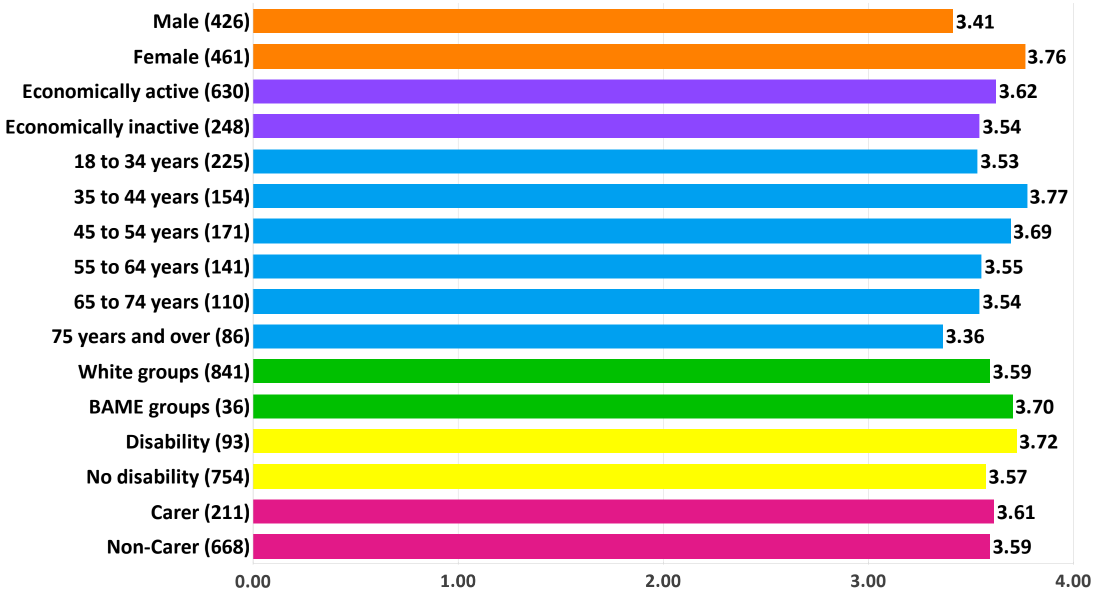


	No significant difference in score between male and female respondents has been identified.
	The difference in score between economically active and economically inactive respondents is significant. 81.7% (±4.8) of economically inactive respondents placed this priority as first or second compared to 67.0% (±3.7%) of economically active respondents answering the same.
	Analysis suggests a significant relationship between age and ranking of this priority with the proportion placing this priority first and second increasing with age. There were no respondents aged 75 years and over that ranked this priority last (fifth).
	No significant difference has been identified in score between respondents from BAME groups and respondents from white groups.
	No significant difference in score between respondents with a disability and respondents without a disability was identified.
	No significant difference in score between respondents that said they were carers and those who do not provide any care were identified.

Improvements to parks & open spaces

Overall, 203 (22.9%) respondents placed 'Improvements to parks and open spaces' as their top investment priority.

The following chart shows the mean score across the demographic groups for the priority 'improvements to parks and open spaces.



	The difference in score between male and female respondents was significant. 65.9% (±4.3%) of female respondents placed this priority as first or second compared to 53.8% (±4.7%) of male respondents answering the same.
	No significant difference in score between economically active and economically inactive respondents has been identified.
	The score for respondents aged 35 to 44 years is significantly greater than the score for respondents 75 years and over, showing this is a greater priority for respondents aged 35 to 44 years.
	No significant difference has been identified in score between respondents from BAME groups and respondents from white groups.
	No significant difference in score between respondents with a disability and respondents without a disability was identified.
	No significant difference in score between respondents that said they were carers and those who do not provide any care were identified.

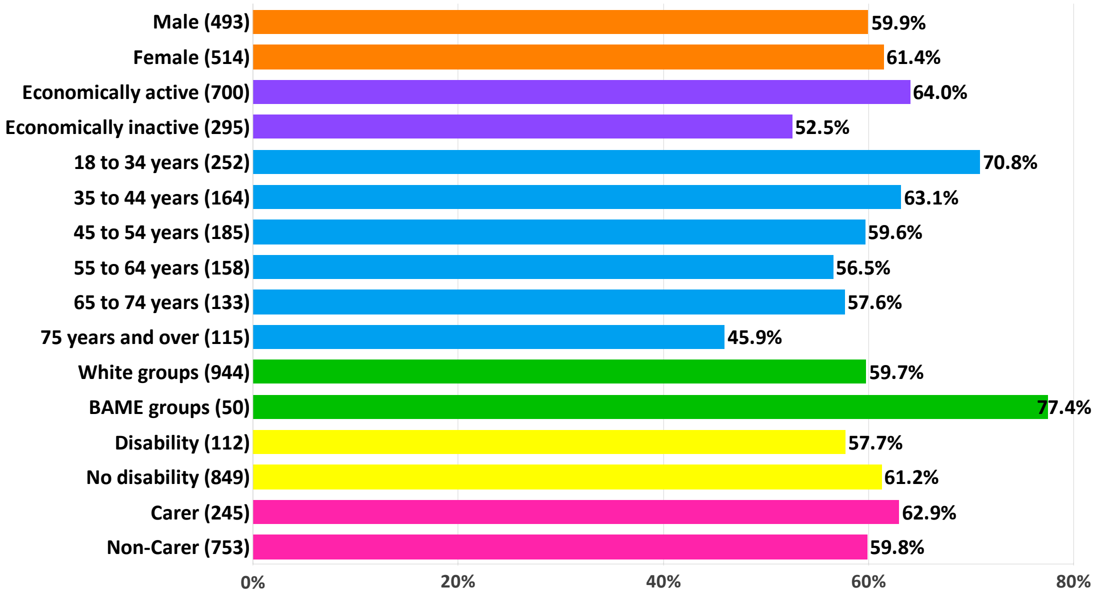
Fee and Charges

Increase Fees?

Survey respondents were asked if thought that the Council should increase fees and charges. A total of 1006 answered this question.

Overall, 60.7% (±3.0%) responded 'No', this was the most common response.

The chart below shows the proportions responding 'No' across the different demographic groups.



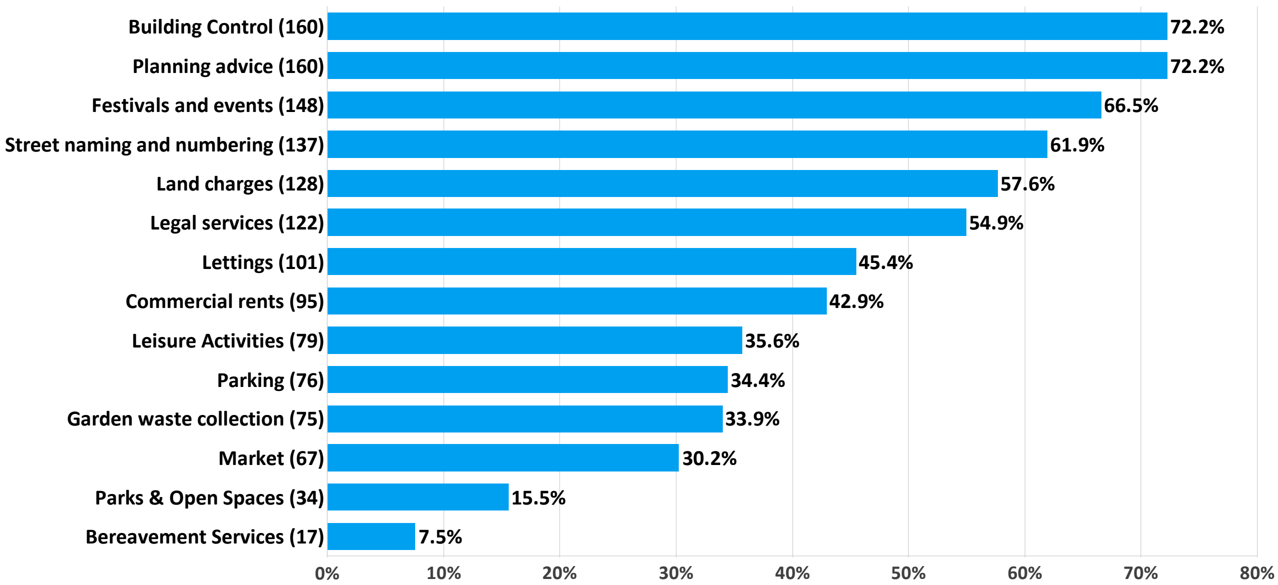
	Although comparable levels of male and female respondents answered 'No', Male respondents had a significantly greater proportion responding 'Yes' with 26.6% (±3.9%) answering this way compared 17.9% (±3.3%) of female respondents answering the same.
	Economically active and economically inactive respondents had significant differences across all of the answer options. One in five economically active respondents answered 'Yes' compared to one in four economically inactive respondents.
	There were no significant differences across the age groups in the proportion of people responding, 'Not sure'. The proportions who responded 'Yes' follows the same profile as the proportion responding 'No' but reversed with the 18 to 34 years group having the lowest proportion answering this way and the 75 years and over group having the greatest proportion responding this way.

	There were no significant differences in terms of ethnicity in the proportion of people responding, 'Not sure'. The proportions from BAME groups and white groups responding 'yes' and 'No' are significantly different from each other. Respondents from white groups were more in favour of increasing fees and charges than respondents from BAME groups.
	There were no significant differences in terms of disability in the proportion of people responding, 'No' and 'Not sure'. 30.5% (±8.5%) of respondents with a disability answered 'Yes' compared to 21.2% (±2.8%) of respondents without a disability – these differences are significant.
	There were no significant differences in the response to this question between respondents that are carers and those who were not carers.

Areas for increased fees

Survey respondents that had answered 'Yes' when asked if the Council should increases fees and charges to help close the budget gap were asked to pick from a list of services that the Council currently charge for and which they think the Council should increase (respondents could tick as many or as few as they wished).

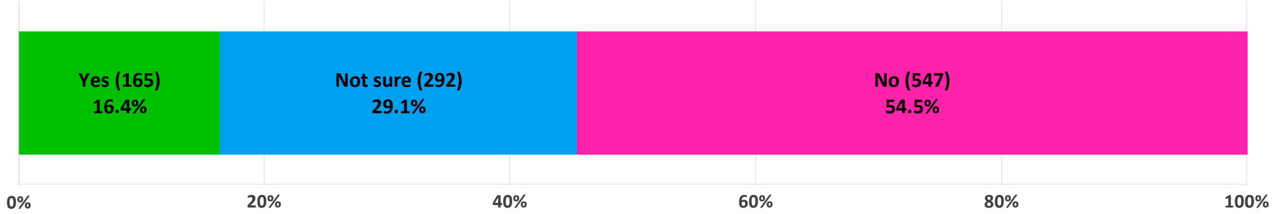
222 respondents answered this question (asked of 223 respondents) and gave a total of 1401 responses (an average of 6.3 options selected per respondent).



Please note - Demographics cannot be assessed for significant differences due to small sample sizes.

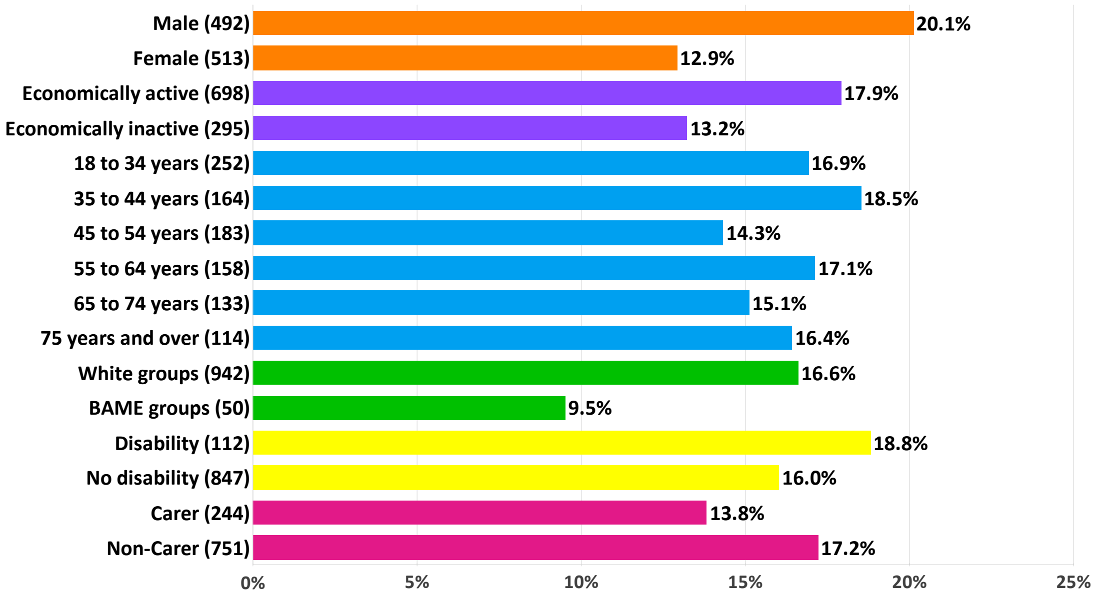
Introduction of new charges

Survey respondents were asked if they thought that the Council should introduce charges for services that it did not currently charge for. There were 1004 responses to this question.



The most common response was 'No' with 547 answering this way. Overall, just over half of all respondents were against the introduction of a fee or charges for services not currently charged for.

The chart below shows the proportion responding 'yes' across the different demographic groups.



	The proportions responding 'yes' for male and female respondents were significantly different. With a greater proportion of male respondents open to idea of introducing charges/fees for services that do not currently incur a charge or fee.
	There were no significant differences in the response to this question between economically active and economically inactive respondents.
	There were no significant differences in the response to this question across the age groups.
	Respondents from BAME groups had a significantly greater proportion responding 'No' with 68.3% (±13.0%) compared to 53.7% (±3.2%) of respondents answering the same from white groups.

	There were no significant differences in the response to this question between respondents with a disability and those without a disability.
	There were no significant differences in the response to this question between carer and non-carer respondents.

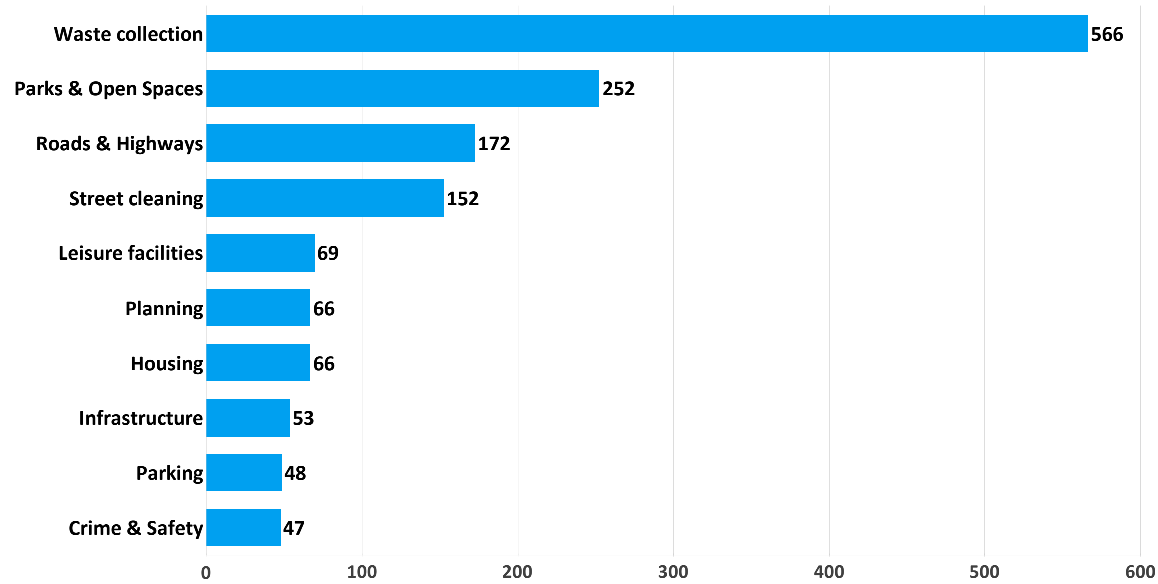
Important Services

Survey respondents were asked what three services were most important to them and provided with three open text boxes to provide a response. The answers have been cleansed so that counts can be obtained (e.g. refuse to waste collection, leisure, and leisure centre to leisure facilities).

A total of 851 respondents answered this question. Please note that not all respondents that answered this question gave three services.

The word cloud below shows the top 71 responses where two or more respondents have said the same thing.

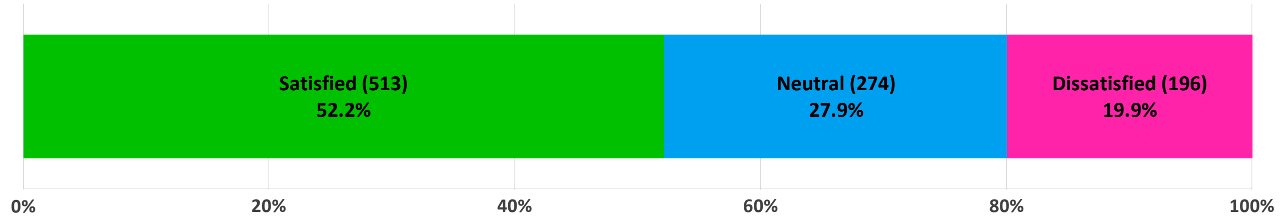
The top ten services mentioned are shown in the chart below.



Living in Maidstone

Satisfaction with local area as a place to live

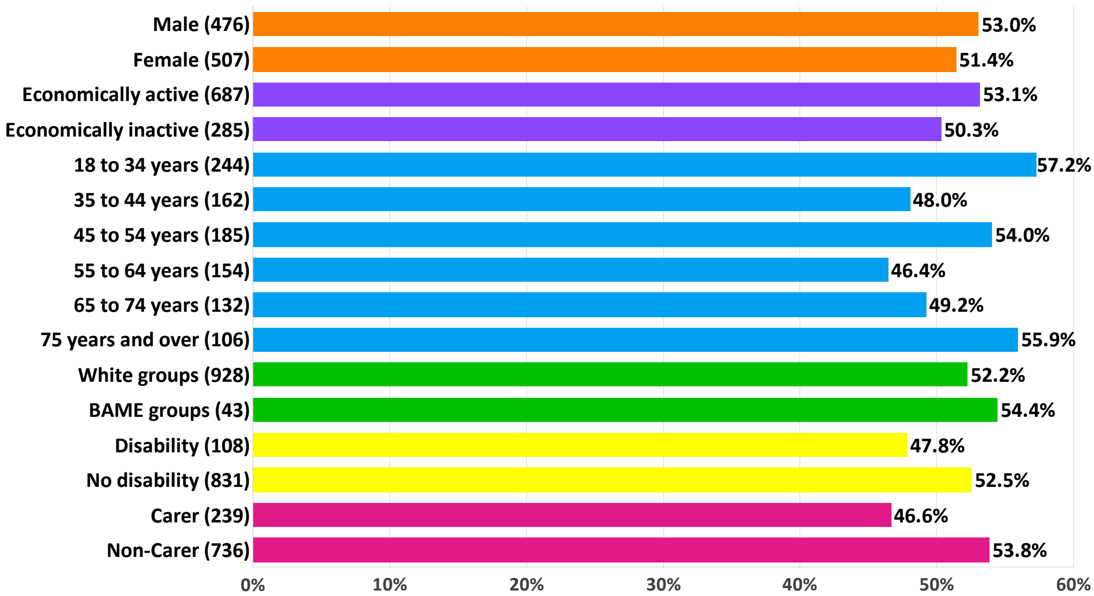
Survey respondents were asked ‘How satisfied or dissatisfied are you with your local area as a place to live?’ and given a five-point scale from Very satisfied to Very dissatisfied. There was a total of 983 respondents.



The most common response was ‘fairly satisfied’ with 428 answering this way. Overall, just over half of respondents said they ‘satisfied’ with their local area as a place to live.

This question was last asked in the 2019 Budget survey. Compared to the 2019 survey the proportion ‘Satisfied’ has remained consistent with 53.1% responding satisfied in 2019. However, the proportion responding ‘Dissatisfied’ has reduced from 28.9% in 2019 to 19.9% for 2020.

The chart below shows the proportion responding ‘Satisfied’ across the demographic groups.

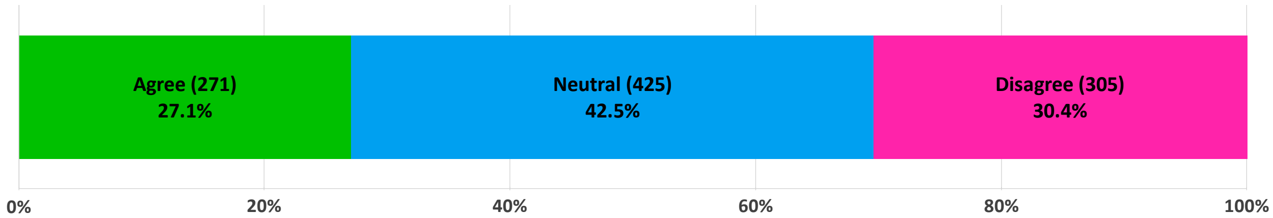


	There were no significant differences in the response to this question between male and female respondents.
	There were no significant differences in the response to this question between economically active and economically inactive respondents.

	The proportions responding positively from the 18 to 34 years group and the 55 to 64 years group are significantly different from each other. The 55 to 64 years group had the greatest proportion responding negatively at 25.2% (±6.9%) – this is significantly greater than the proportion responding the same from the 75 years and over group where 14.7% (±6.7%) responded negatively.
	There were no significant differences in the proportions responding in terms of ethnicity.
	There were no significant differences in the proportions responding between respondents with a disability and those without a disability.
	Respondents that are carers had a significantly greater proportion responding negatively with 26.9% (±5.6%) answering this way compared to 17.9% (±2.8%) of non-carers answering the same.

Potential realised

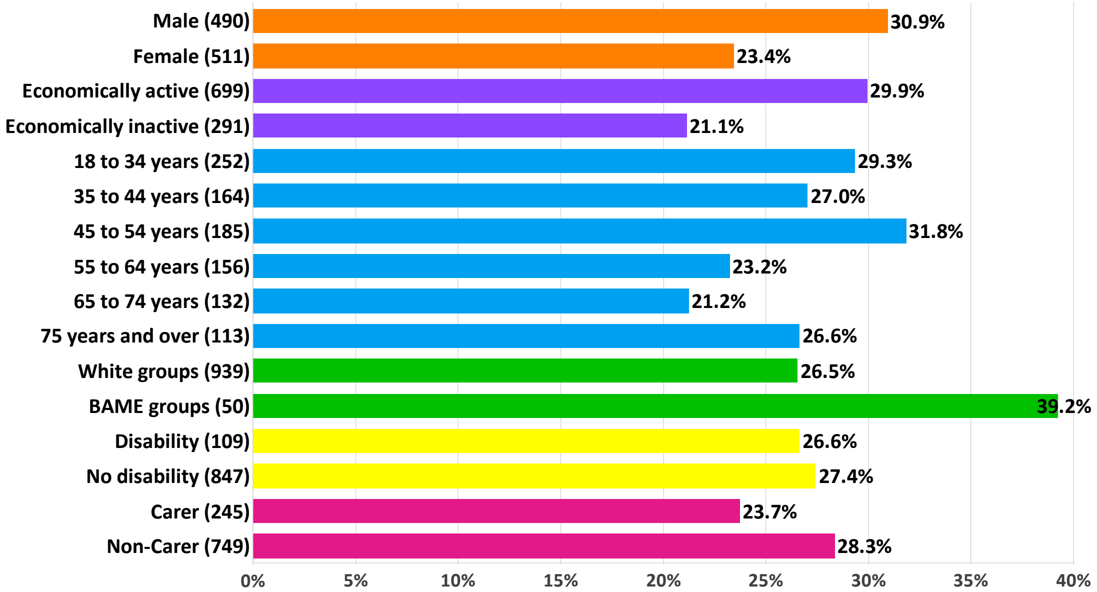
The survey asked respondents 'To what extent do you agree or disagree that Maidstone is a place where everyone can realise their potential?'. A total of 1001 people responded to this question.



Overall, 27.1% (±2.8%) of respondents said they agreed that Maidstone was a place where everyone can realise their potential. The most common response was 'Neither agree nor disagree' with 42.5% (±3.1%) responding this way.

The proportion responding 'Agree' has improved since 2019 when this question was asked for the first time in the 2019 Budget survey. In 2019, 21.9% of respondents agreed and 35.5% disagreed that Maidstone was a place where everyone can realise their potential.

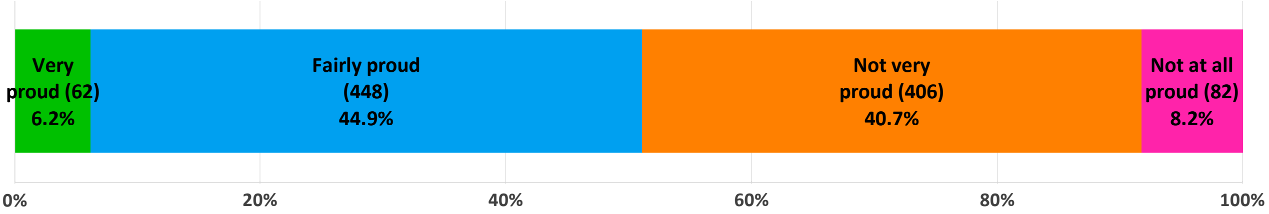
The following chart shows the proportion responding 'Agree' across the different demographic groups.



	While comparable proportion of male and female respondents responded neutrally to this question, the difference in the proportion responding both negatively and positively are significant. Female respondents were more likely to disagree with this statement compared to male respondents.
	More than half of economically inactive respondents responded neutrally, significantly greater than the proportion responding the same, who are economically active. Economically active respondents had significantly greater proportions answering both positively and negatively (more than three quarters of the respondents in the economically inactive group told us they were currently 'wholly retired from work').
	The 18 to 34 years and the 35 to 44 years had the greatest proportions responding negatively at 38.4% (±6.0%) and 38.8% (±7.5%) respectively and the lowest proportions responding neutrally. The 75 years and over had the lowest proportion responding negatively and the greatest proportion responding neutrally.
	The difference in the proportion answering positively between BAME groups and white groups is significant. 31.1% (±3.0%) of white group respondents answered negatively compared to 16.4% (±10.4%) of BAME respondents answering the same.
	There were no significant differences in the response to this question between respondents with a disability and those without a disability.
	Although there were no significant differences in the proportion responding positively and neutrally between carers and non-carers, carers had a significantly greater proportion responding negatively with 36.9% 9±6.0%) answering this way compared to 28.7% (3.2%) of non-carers.

Pride in Maidstone Borough

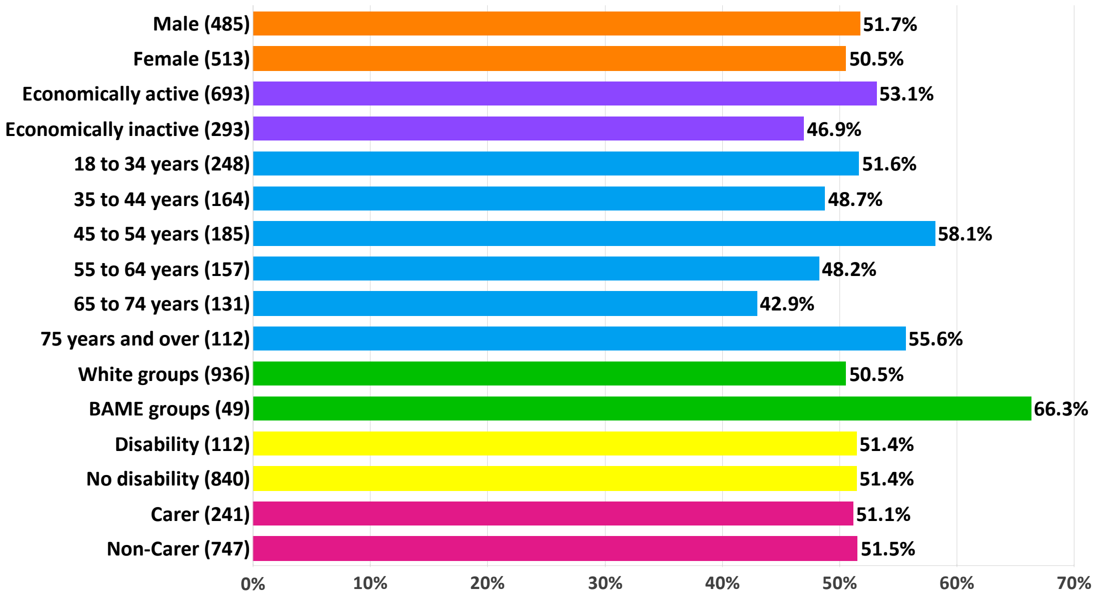
The survey asked respondents 'How proud are you of Maidstone Borough?', a total of 997 responded to this question.



Overall, 51.1% (±3.1%) said they were either 'Very proud' or 'Fairly proud' of Maidstone Borough. The most common response was 'Fairly proud' with 448 answering this way.

The proportion responding positively (very proud and fairly proud combined) has improved since 2019 when this question was asked for the first time in the 2019 Budget survey. In 2019, 39.7% of respondents were positive when answering this question and 60.3% responded negatively. In 2019 'Not very proud' was the most common response.

The chart below shows the proportion responding positively across the different demographic groups.



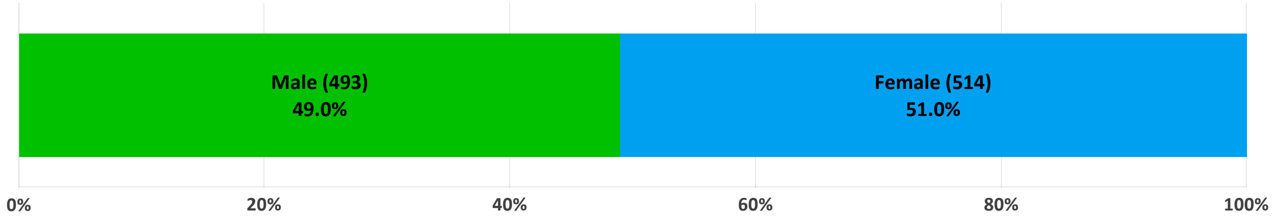
	There were no significant differences in the response to this question between male and female respondents.
	There were no significant differences in the response to this question between economically active and economically inactive respondents.
	Respondents in the 65 to 74 years group had the lowest proportion responding negatively. This result is significant when compared to the proportions responding the same from the 35 to 44 years group and the 75 years and over group.

	The difference in the proportion answering positively between BAME groups and white groups is significant. 49.5% (±3.2% of white group respondents answered negatively compared to 33.7% (±12.2%) of BAME respondents answering the same.
	There were no significant differences in the response to this question between respondents with a disability and those without a disability.
	There were no significant differences in the response to this question between carer respondents and non-carer respondents.

Demographics

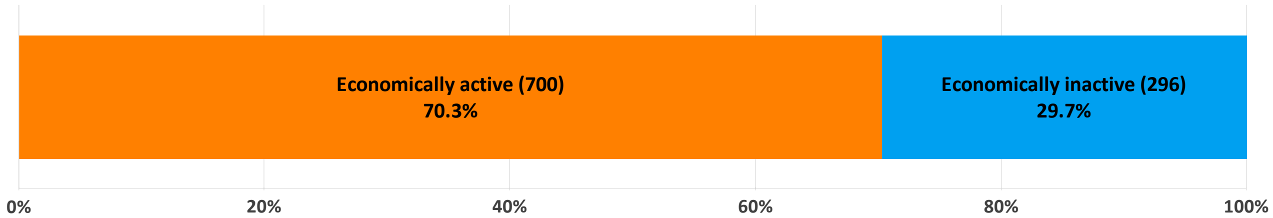
Gender

The proportions for male and female respondents aligns with that in the local population[1] (survey weighting is based on this variable).



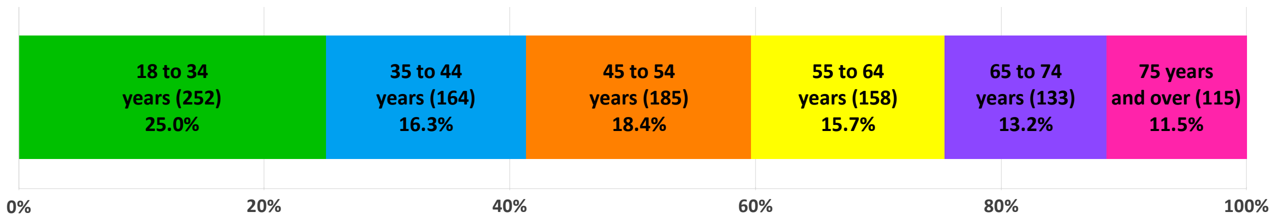
Economic Activity

The economically active were slightly under-represented in the respondent profile accounting for 72.9%. TThe economically inactive are slightly over-represented with 27.1% in the local population[2].



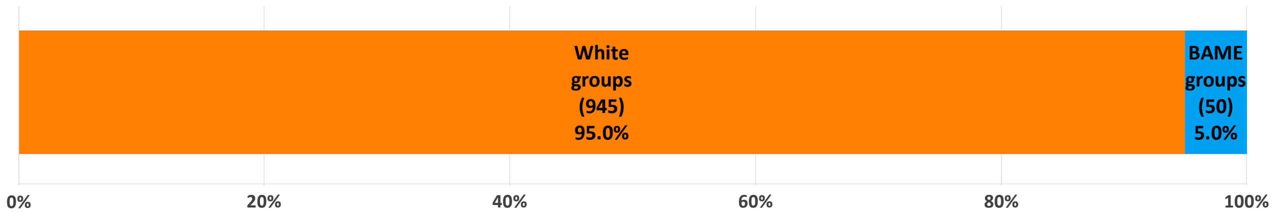
Age

The proportions of respondents in each age group aligns with that in the local population[3] (survey weighting is based on this variable).



Ethnicity

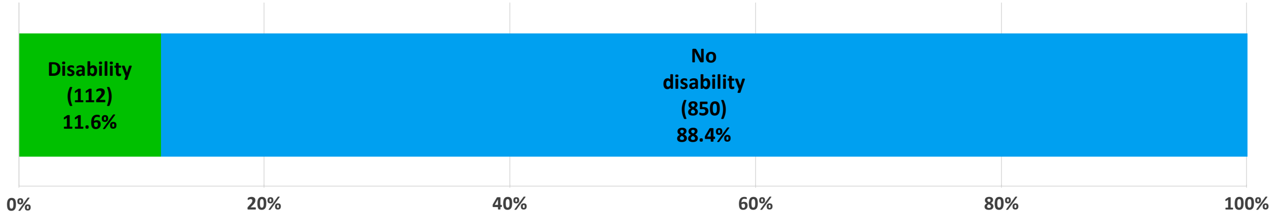
BAME respondents were marginally underrepresented in the respondent profile accounting for 5.9% in the local population[4].



[1] ONS Mid- year population estimates 2019
[2] 2011 UK Census
[3] ONS Mid- year population estimates 2019
[4] 2011 UK Census

Disability

Respondents with a disability were slightly under-represented in the respondent profile accounting for 15.2% of the local population[5].



Carers

There are no national statistic on the numbers of carers (both paid and unpaid) however, 10.2% of all residents provide unpaid care[6], with a further 2,842 claiming carers allowance, therefore it is likely that carers are over-represented in the respondent profile.

[5] UK Census 2011
[6] Census 2011

REVENUE ESTIMATE 2021/22 to 2025/26
STRATEGIC REVENUE PROJECTION - NEUTRAL

2020/21 £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
16,817	COUNCIL TAX	17,068	17,670	18,294	18,940	19,608
3,260	RETAINED BUSINESS RATES	3,260	3,325	3,392	3,459	3,529
1,210	BUSINESS RATES GROWTH	605	0	180	362	546
	COLLECTION FUND ADJUSTMENT					
21,287	**PROJECTED NET BUDGET**	**20,932**	**20,995**	**21,866**	**22,761**	**23,683**
21,709	OTHER INCOME	21,924	18,244	20,859	22,046	22,940
	FORECAST CHANGE IN INCOME	-3,090	1,767	384	893	781
42,996	**TOTAL RESOURCES AVAILABLE**	**39,766**	**41,006**	**43,109**	**45,701**	**47,403**
41,314	**CURRENT SPEND**	42,996	39,766	41,006	43,109	45,701
	INFLATION & CONTRACT INCREASES					
1,013	PAY, NI & INFLATION INCREASES	765	1,002	1,033	1,064	1,096
	EXTERNAL BUDGET PRESSURES					
150	PENSION DEFICIT FUNDING	40	40	150	150	150
	LOCAL PRIORITIES					
24	GROWTH TO MEET STRATEGIC PRIORITIES					
10	ADDITIONAL GROWTH AGREED BY P&R	-10				
	REPROFILE LOCAL PLAN REVIEW		100	-280	60	120
	OTHER SERVICE PRESSURES					
	PROVISION FOR MAJOR CONTRACTS			500		
1,870	REVENUE COSTS OF CAPITAL PROGRAMME	893	646	562	583	
	CONTINGENCY FOR FUTURE PRESSURES	-1,589				
50	GENERAL GROWTH PROVISION	50	50	50	50	50
44,431	**TOTAL PREDICTED REQUIREMENT**	**43,145**	**41,605**	**43,021**	**45,015**	**47,117**
-1,435	**SAVINGS REQUIRED**	**-3,379**	**-598**	**88**	**686**	**286**
1,611	**EXISTING SAVINGS**	**890**	**603**	**200**	**0**	**0**
-89	**NEW AND AMENDED SAVINGS / (GROWTH)**	**0**	**0**	**0**	**0**	**0**
87	**SURPLUS / (DEFICIT)**	**-2,489**	**5**	**288**	**686**	**286**

Policy & Resources Committee	25 November 2020

Discretionary Housing Payments

Final Decision-Maker	Policy & Resources
Lead Head of Service	Stephen McGinnes, Director Mid Kent Services
Lead Officer and Report Author	Sheila Coburn, Head of Revenues and Benefits Partnership
Classification	Public
Wards affected	All

Executive Summary

The Council is provided with an annual Discretionary Housing Payment grant by the Department for Work and Pensions in order to provide additional financial support to that awarded through the Housing Benefit scheme.

Whilst the Council already has a Discretionary Housing Payment Policy in place, Appendix 1 to this report sets out an updated Policy to be approved.

Purpose of Report

The purpose of this report is to update Policy and Resources Committee on the reasons for Discretionary Housing Payments and for Policy & Resources Committee to recommend to Full Council the approval of the updated Discretionary Housing Payment policy in Appendix 1.

This report makes the following recommendations to this Committee:

1. That Policy & Resources Committee recommends to Full Council to adopt the Discretionary Housing Payment (DHP) Policy as detailed in the report and Appendix 1.

Timetable	
Meeting	***Date***
Policy & Resources Committee	25 November 2020
Council	9 December 2020

Discretionary Housing Payments

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Homes and Communities - We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims as set out in section 3 by ensuring those in need are protected.	Sheila Coburn, Head of Revenues and Benefits Partnership
Cross Cutting Objectives	The report recommendations support the achievement of the Deprivation and Social Mobility by providing support to households in need.	Sheila Coburn, Head of Revenues and Benefits Partnership
Risk Management	The risks associated with implementing and operating the scheme are low and endorsement of a scheme helps reduce the risk.	Sheila Coburn, Head of Revenues and Benefits Partnership
Financial	A grant of £406,051 is provided by the Department for Work and Pensions for the award of DHP. The grant is ring-fenced with any unspent funds returned at the end of the year. The grant has been increased for 2020-21 in anticipation of COVID.	[Section 151 Officer Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Sheila Coburn, Head of Revenues and Benefits Partnership
Legal	The administration of DHP is provided through the Discretionary Financial Assistance Regulations 2001. The proposed policy complies with the requirements of the Regulations and with government guidance that states that decisions must be made in accordance with ordinary principles of good decision making, i.e. administrative law. Councils have a duty to act fairly, reasonably and consistently. Each case must be decided on its own merits, and decision making should be consistent throughout the year.	Keith Trowell, Team Leader (Corporate Governance) MKLS
Privacy and Data	Data will be collected for the purposes of processing the Discretionary Housing Payment	Policy and Information

Protection	application. The data will be held and processed in accordance with the data protection principles contained in Schedule 1 to the Data Protection Act 1998.	Team
Equalities	The Policy has not fundamentally changed, but been updated for clarity. As the Policy is being revised, a EqIA is required and is contained in Appendix 3.	Equalities and Corporate Policy Officer
Public Health	We recognise the recommendations will not negatively impact on population health or that of individuals.	Sheila Coburn, Head of Revenues and Benefits Partnership
Crime and Disorder	No impact	Sheila Coburn, Head of Revenues and Benefits Partnership
Procurement	No impact	Sheila Coburn, Head of Revenues and Benefits Partnership

2. INTRODUCTION AND BACKGROUND

2.1 The Council is provided with an annual Discretionary Housing Payment grant by the Department for Work and Pensions in order to provide additional financial support to that awarded through the Housing Benefit scheme.

2.2 Discretionary Housing Payments operate outside the main benefit system but for ease of administration are normally paid alongside Housing Benefit.

2.3 The payments are limited to providing support with housing related costs for residents in receipt of Housing Benefit or the housing element of Universal Credit. Support is restricted to those within the rental sector and cannot support home owners.

2.4 The budget available to Maidstone Borough Council in 2020-21 is £406,051, which includes additional funding because of the expected take up of

Discretionary Housing Payments due to COVID19. Last year 2019-20 the budget was £302,510.

2.5 Whilst this represents a significant budget, demand for DHP is high with support targeted to help those households affected by welfare reform or who are homeless or at risk of homelessness.

2.6 Last year (2019-20), 354 residents benefitted from a DHP award which was given for reasons such as

- shortfall in rent whilst moving to a more affordable property
- removal costs as downsizing
- partner died, shortfall in rent whilst applying benefits
- possession order - paid to prevent eviction
- assist move from temporary accommodation

2.7 The Council already has a Discretionary Payment Policy in place which was approved by the Council in 2017. The Policy has been updated to provide clarity that:

- a DHP payment is a short term emergency fund
- applications will only be accepted from a person within the Council's area
- provides a framework for officers to be guided in decision making whilst ensuring consistent treatment but allowing for sufficient discretion
- applications can be made by someone acting on behalf of someone else who is vulnerable or needs support
- the customer is expected to take responsibility such as taking tenancies at reasonable rents, seeks/receives appropriate housing advice, provides sufficient proof of debts/expenditure, shows evidence of job seeking activities (where not vulnerable)

2.8 On recommendation of Internal Audit, the Policy will be updated and approved on an annual basis in future.

2.9 The policy sets out the Council's aims in operating the DHP scheme and the types of situations that it will prioritise such as to:

- help alleviate poverty
- encourage employment
- prevent homelessness
- support vulnerable households
- provide support at a time of crisis

2.10 Claims for DHP are used as an opportunity to review and promote other benefits e.g. unclaimed tax credits. We work closely with other agencies e.g. CAB for debt advice and social landlords to identify and pro actively support vulnerable people.

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3. AVAILABLE OPTIONS

3.1 Option 1 - The Council could operate a scheme without adopting a policy but this does not make clear the Council's approach for awards. The funding given by the Government is on the basis the Council has a Discretionary Housing Payment Policy in place.

3.2 Option 2 - Retain the current policy. Retaining the current policy is a consideration, but it has not been revised since 2017 and this would go against Audit recommendations.

3.3 Option 3 - Adopting the updated policy so it is clear the Council's approach and priorities for awards are revised regularly.

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 Option 3 is the preferred option - that the Council adopts the updated policy in order to provide a transparent process which sets out the prioritisation of awards. The impact of not adopting this revised policy means the council is working to an out of date policy.

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5. RISK

5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 The policy has been produced in consultation with representation from the voluntary sector, social landlords, Job Centre Plus, Kent County Council and the housing team.

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The availability of DHP is promoted through the Revenues and Benefits team, customer services team, housing team, registered social landlords, private sector landlords and local advice agencies and social media.

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8. REPORT APPENDICES

- Appendix 1: Discretionary Housing Payment Policy
- Appendix 2: Audit Report Discretionary Housing Payments
- Appendix 3: EqIA

9. BACKGROUND PAPERS

None

Discretionary Housing

Payments Policy

Maidstone Borough Council

1. Introduction

This policy sets out how the Borough Council will operate it's Discretionary Housing Payment (DHP) scheme.

DHP awards play an important part in helping people adjust to changes in the welfare system as well as for those who are struggling to meet a rent shortfall or need help with costs associated with moving to more affordable accommodation. DHP funding is limited and is seen as a short term emergency fund. Support will be considered through the DHP scheme whilst any underlying issues are addressed, such as:

- Taking up employment
- Moving to affordable or suitably sized accommodation
- Seeking help to address money and debt issues
- Avoiding an immediate threat of eviction

In administering the scheme and considering any application, the Council will expect those who are able to help themselves to do so. DHP should not be seen as a long term solution to mitigate the impact of Welfare Reform or as a way around benefit legislation.

A DHP payment will only be made for a person within the authority's area.

2. Objectives of the Scheme

The Council will consider making a DHP to households who meet the criteria outlined in this policy. We look at all claims on their individual merits, along with other associated policies.

We will work with other departments (such as housing departments) and other organisations (such as advice agencies, landlords and social services), for the purpose of signposting and giving assistance to :

- Help alleviate poverty
- Encourage employment
- Prevent homelessness
- Support vulnerable households
- Provide support at a time of crisis

Discretionary Housing payments can only be made to help with housing related costs. DHP's are means tested, taking account of the applicants full income and essential expenditure. Each application will be looked at on an individual basis taking into account all relevant circumstances. A DHP cannot be paid to cover other costs such as service charges or Council Tax.

3. The DHP scheme

The DHP scheme is intended to be flexible and can cover a range of different housing related costs or scenarios.

This list is not exhaustive, but gives some examples of how the scheme can help:

- Where a rent would be deemed as unaffordable but the property has been especially adapted to meet the needs of a disability and it would be impractical for the applicant to move
- Where the customer has planned to move to more affordable accommodation and needs some short term financial help until they move into their new home
- Where the property is currently classed as too big for the household but the circumstances are expected to change e.g. expecting a baby, awaiting placement of a foster child or taking in a lodger
- Where the customer is struggling to pay their rent because of other debts but can show that they are seeking help or have made lifestyle changes to enable them to pay the shortfall in the future
- Where the applicant is in arrears and is at immediate risk of eviction
- Where the customer needs help with the cost of removals to move to suitable accommodation
- Where the customer wants to move to a more suitable property for their needs and requires some help to pay the rent in advance and/or deposit
- Where the customer has to pay rent on two properties for a short period and it cannot be met by Housing Benefit e.g a person fleeing domestic violence

DHP's are made at the discretion of the Council and are not governed by the same rules as Housing Benefit.

To qualify the person making a claim must be receiving or have an entitlement to Housing Benefit or the housing costs element of Universal Credit.

This policy provides a framework by which officers are guided in their decision making, ensuring consistent treatment of customers but allowing for sufficient discretion on the merits of each case.

The starting point of any application will also be to consider whether there is a need for a DHP or if the amount can be met through the other income and savings within the household.

The Council will also look where appropriate to see what action the applicant is taking to help themselves.

4. Claiming a DHP

A claim for a DHP will generally be made using the form provided by the Council on-line (or paper format). An application in most cases will be from the person who is receiving Housing Benefit or Universal Credit.

However, an application can be made by someone acting on their behalf e.g appointee or advocate, if the person is vulnerable and requires support.

The form asks for details of all income and expenses, as well as details of any other circumstances, which the Council needs to be aware of to make an informed decision.

In considering an application the Council may request evidence to support the application or take steps to check the information provided to ensure it is accurate.

5. Customer responsibilities

A core element of this policy is that customers are expected to act responsibly by taking tenancies at reasonable rents and ensuring they seek and receive appropriate housing advice before taking on or renewing tenancies.

Customers seeking to demonstrate vulnerability or hardship to support their claim will need to provide sufficient proof of any medical factors and / or breakdown of all relevant debt and expenditures.

Customers who are not considered vulnerable will need to provide evidence of job seeking activities and specifically liaison with partner agencies including job centre plus and other employment support bodies.

6. Period of Award

The period of award will depend on the individual circumstances and whether the award is to help to meet a one off cost, a temporary shortfall or a longer term need.

At the point of making a decision the Council will set the period of award which will be notified along with the decision. Awards may be backdated if there is a good reason why the claim could not have been made sooner and the circumstances continued throughout that period.

7. Changes of Circumstances

In receiving a DHP the customer agrees to notify the Council of any change in the circumstances that might affect their award. The Council may review and recover any DHP that is overpaid where the applicant's circumstances have changed.

8. Payment

The Council will decide the most suitable person or organisation to pay based on the circumstances of each case. This could include paying:

- the claimant
- their partner
- an appointee
- their landlord (or an agent of the landlord); or
- any third party to whom it might be most appropriate to make payment.

Payments will either be made by bank transfer or with on-going benefit.

9. Notification

The Council will aim to advise claimants of the outcome of their claim within 14 days of receipt of their claim as long as all evidence requested has been received. The decision letter will include;

- the weekly amount of DHP awarded
- the lump sum being paid for arrears, rent advances / deposits or other one off payments
- the income and expenditure used in the calculation
- the period of award
- to whom it will be paid and
- the requirement to report a change of circumstances.

10. Review of Decisions

The Council will operate the following process, in dealing with a request for a decision to be reviewed about a refusal to award a DHP, the amount or period of award.

- A request for a review should be in writing/by email within one month of the date of the decision, stating why the decision is believed to be wrong and providing any additional evidence.
- The decision, along with any new evidence from the claimant, will be reviewed by a different officer, who will aim to either make a new decision or confirm the earlier decision within 14 days.
- The claimant will be notified of the outcome in writing/by email. If the claimant is not happy with the decision they can ask for it to be looked at again by the Head of Revenues and Benefits.
- The Head of Revenues and Benefits will review the decision and write/email to confirm the outcome within 14 days. That decision will be final with no further right of review.

11. Publicity

The Council will promote the availability of DHPs when notifying individuals of their Housing Benefit entitlement, when communicating any change or restriction in Housing Benefit awards and through the information made available online and at customer access points.

There will also be targeted take up for households in crisis where they have been identified in analysis of the impact on Welfare Reform.

12. Information Sharing

The Council will use the information provided within the application and any supporting evidence for the purpose of verifying benefit entitlement and making a decision on the claim. In addition it may share information with other departments within the Council and partner organisations for the purpose of planning and delivery of services or fraud prevention in accordance with the requirements of the Data Protection Act and the General Data Protection regulations.

13. Review of DHP Policy

The Policy will be reviewed annually.

MID KENT AUDIT

Discretionary Housing Payments

FINAL AUDIT REPORT

MAY 2020

FINAL

Audit Code	X20-AR10	**Service**	Revenues & Benefits
Lead Auditor	Martin Wright (Mazars)	**Sponsor**	Sheila Coburn
Audit Reviewer	Dave Phillips (Mazars)	**Director**	Steve McGinnes

MID KENT AUDIT

Summary Report

The Discretionary Housing Payments policy provides an outline to how the Councils operate the DHP scheme. Although the policy provides the specification, it is ultimately up to the discretion of the business support team's officers to process and award claims based on eligibility criteria. Staff have high levels of autonomy when processing claims; there is no system of management authorisation of claims, even for those of higher value. Audit testing confirmed that all necessary forms of supporting documentation were retained on the document filing system, Anite.

A budget report is run from the Academy system on a monthly basis, however, through testing a sample of six months only two months' worth of budget reports could be provided. Furthermore, the budget reports available displayed no indication of management sign-off or meaningful analysis.

Next Steps

In this report we describe the 2 recommendations arising from our work, and responses from management. We note the service has agreed to carry out the recommendations. We will follow them up as they fall due in line with our usual approach.

We have prioritised our recommendations as below:

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	0
Low (Priority 4)	2
Advisory	1

We provide the definition of our recommendation priorities at appendix II.

Independence

We are required by Public Sector Internal Audit Standard 1100 to act at all times with independence and objectivity. Where there are any threats, in fact or appearance, to that independence we must disclose the nature of the threat and set out how it has been managed in completing our work.

We have no matters to report in connection with this audit project.

Acknowledgements

We would like to express our thanks to Liz Norris (Technical Support Manager) and all other officers who helped completion of this work.

Distribution

Audit team and contact details	Report distribution list
Audit Manager Jennifer Warrillow (jennifer.warrillow@Midkent.gov.uk) **Senior Audit Manager (Mazars)** Dave Phillips (dave.phillips@mazars.co.uk) **Internal Auditor (Mazars)** Martin Wright (martin.wright@mazars.co.uk)	**Draft and Final Report** Shelia Coburn – Head of Revenues and Benefits Shared Service Liz Norris – Business Support Manager **Final Report Only** Stephen McGinnes – Mid Kent Services Director Alison Broom – Chief Executive (MBC) Mark Green – Director of Finance & Business Improvement (s151) (MBC) William Benson – Chief Executive (TWBC) Lee Colyer – Director of Finance, Policy and Development (s151) (TWBC)

Detailed Findings

This detailed report sets out our results and findings from testing each agreed objective, risk and control.

Objective 1 - To review the effectiveness of controls for ensuring that claims are assessed and processed in a correct manner.

Legislative, Organisational and Managerial Requirements

Both Maidstone Borough Council (MBC) and Tunbridge Wells Borough Council (TWBC) benefits web pages provide information to the public on how to apply for a discretionary housing payment (DHP). The web pages also provide a link to the standard DHP application form that is required for submission in all instances.

The DHP policy applicable to both MBC and TWBC claims provides an overview of procedures including the objective of the scheme, the eligibility criteria, and how claims are processed. Through examination of the policy and the activities undertaken as part of the audit we established that the policy accurately reflects existing practices. However, we identified that the policy had not been reviewed and approved by the Members since March 2017 at MBC and August 2017 at TWBC. **R1**

Receipt and Assessment of Applications

The assessment of DHP cases begins with the receipt of an application form. The form requires the applicant to indicate the nature of the applicants' financial hardship and the period of payment requested. The application also asks for a summary of weekly income and expenditure. We tested of a sample of 15 DHP awards across both MBC and TWBC and found all had an application form present on Anite.

As evidence to support the income, expenditure and rental arrears/payments declared, a bank statement and rent statement or tenancy agreement are required. If the applicant claims a means tested benefit (i.e. Job Seekers Allowance or Universal Credit) a bank statement is not required as part of the application. Our testing identified all 15 cases had a bank statement or screenshot of jobseeker's allowance award as well as either a rent statement or tenancy agreement available on Anite.

Using income and expenditure values declared by the applicant, the business support team use the DHP Calculation Sheet to determine the shortfall of income to expenditure which determines the value of the final award. The calculation sheet is also used to compare expenditures to market rates. With such an analysis, Business Support are able to suggest areas where the applicant can save on their weekly expenditure.

For our sample, we found 12 had a completed DHP calculation sheet available to view on Anite. In the remaining three cases the application was either an emergency, or the award was used to aid expenditure savings (i.e. to clear arrears in preparation for the applicant to downsize). Furthermore, in all cases tested applicants were notified of the outcome of their claims including the value of payment awarded.

Discussion with the Technical Support Manager and the wider team established that officers have high levels of autonomy in processing and approving DHP awards. Although caseloads are monitored by the Technical Support Manager, high value claims, that increase the Council's exposure to risk, have no system of formal review or authorisation before being paid out. **R2**

DHPs should only be awarded as assistance for rent, deposit or removal costs. Furthermore, claimants should be able to evidence either a clear shortfall in income to expenditure, or significant rent arrears. For our sample we identified all cases tested had met this eligibility criteria based on evidence retained on Anite.

Payments

Payments to DHP claimants can either be set as a one-off amount or as weekly sums. We found that all weekly claims sampled had a payment stop date programmed into Academy. Furthermore, the payee module on Academy demonstrated that in 13 out of the 15 cases tested, payment had been made directly to the landlord. The Technical Support Manager advised that due to some landlords not accepting occupants in receipt of housing benefits, DHPs cannot be paid directly to the landlord in all cases. We confirmed this was the situation for the remaining two cases tested.

Conclusion: We found DHP claims are being administered in line with current policy and procedures, however there is opportunity to strengthen existing controls in relation to DHP policy and the approval of higher value claims.

Objective 2 – To assess the effectiveness of the information management and management reporting arrangements.

Budgetary Control

Each month a report is run on Academy calculating the DHP totals paid out for the year to date and the remaining funding left in the annual DHP budget. This budget provides a means for the business support team to review their approach to awarding claims. We requested budget reports for the six months between July and December 2019, but only two were provided. The Technical Support Manager advised that it is not current practice to retain the budget report for previous periods.

The December 2019 reports showed a remaining budget of £105,803 against a budget of £302,510 for MBC and a remaining budget of £43,377 against a budget of £163,575 for TBWC. We found no sign-off by the Technical Support Manager, or evidence of commentary on the budget position. **R3**

Management Reporting

A log of DHP awards, non-awards and reconsiderations is maintained via spreadsheets by the service for each Council. The logs are available for update by all business support officers and is monitored by the Technical Support Manager. Informal ad-hoc team meetings are held within the business support team to discuss developments and issues, while joint meetings across Revenues and Benefits, and Business Support are held twice a year.

The DWP year-end 2018-19, mid-year 2019-20 and year-end 2019-20 estimate returns were evidenced as calculated and signed off by the s151 Officer at each site.

Conclusion: DHP awards are being adequately monitored and team meetings held. However, not all monthly DHP budget reports are being retained. Furthermore, there was no evidence of meaningful analysis to the monthly budget reports obtained.

Recommendations and Action Plan

01 - Review & Approve DHP Policy	Low (Priority 4)
Finding Description: The policy was last reviewed in February 2017. **Cause:** Ineffective arrangements to trigger policy review. **Effect:** Implementation of this recommendation would ensure the DHP policy remains current and effective. **Recommendation:** Review the DHP policy, submit for approval by Members and establish a policy review interval.	
Management Response	
Response Type: Agreed **Response Comments:** None	
Agreed Action	
DHP policy will be reviewed on an annual basis, a designated officer will be responsible for the policy and the policies within.	
Responsible officer: Sheila Coburn	**Implementation date**: 07 May 2020

02 - Management Authorisation of High Value Claims		Low (Priority 4)
Finding Description: High value DHP claims are not subject to separate management approval and staff have high levels of autonomy for processing and approving claims. **Cause:** Control design does not distinguish secondary checks for high value claims where the risk exposure to the Councils is greater. **Effect:** Implementation of this recommendation would provide assurance on high value claims meeting eligibility requirements. **Recommendation:** Review and authorise DHP awards exceeding a predetermined value.		
Management Response		
Response Type: Agreed **Response Comments:** This has been identified previously and officers currently check with their line manager for any payment over 2k, unfortunately there is no audit trail of these discussions.		
Agreed Action		
Officers will discuss with their line manager any case that payments are expected to reach £2,000 or over, the discussion will be confirmed in an email. The line manager will either allow or refuse payment in an email which will be filed in a named folder on the Business Support Team site.		
Responsible officer: Sheila Coburn	**Implementation date**: 07 May 2020	

03 - Management Commentary on Budgetary Position	Advisory
Finding Description: In response to a request for budget reports for the six month period July to December 2019 only two monthly reports could be provided. There was no evidence of the monthly budget reports being signed off to evidence review or with a commentary on the budgetary position. **Cause:** Control design does not require retention of monthly budget reports or review. **Effect:** Implementation of this recommendation will facilitate effective management of the DHP budgets. **Recommendation:** Retain monthly budget reports and document progress against budget, noting and explaining any variances.	

Appendix I: Audit Brief (As Originally Issued)

About the Service Area

Discretionary Housing Payments (DHPs) are an emergency fund to be used to alleviate hardship and to allow applicants time to find alternative solutions to housing issues and/or shortfalls in income.

The DHP scheme was introduced on July 2001 and granted all local authorities power to make a discretionary award to top up the Housing Benefits and Universal Credit (HB/UC) statutory schemes.

Maidstone Borough Council and Tunbridge Wells Borough Council operate a shared service of assessing DHP applications and processing DHP payments under the guise of Mid Kent Revenues & Benefits.

About the Audit

This audit is an **operational review** meaning that we will focus on the objectives and risks of the service and the effectiveness of associated controls.

This audit seeks to provide assurance over the adequacy and effectiveness of the management and operation of processes and procedures exercised by the Revenues and Benefits Service specifically in relation to Discretionary Housing Payments.

Our findings in this review will contribute towards the **internal controls** aspect of the Head of Audit Opinion, to be issued in July 2020.

Evaluation Criteria

Management currently base their assessment on performance of the service on

- Discretionary Financial Assistance Regulations 2001
- Internal criteria (Council's policies and procedures)

We are satisfied this is appropriate criteria and so will use the same to guide our review.

Audit Objectives

1. To review the effectiveness of controls for ensuring that claims are assessed and processed in a correct manner.
2. To assess the effectiveness of the information management and management reporting arrangements.

Audit Testing

Audit Tests	Sample Size
Obtain and review the policies and procedures that relate to the Discretionary Housing Payments function, and information available to the public. Establish whether they a) Provide adequate guidance; b) Are regularly updated, and c) Have been communicated to relevant staff and the public.	-
Test a sample of processed DHP claims between November 2018 and October 2019 and establish whether the a) Application has been fully completed on the standard application form; b) Applicants provide supporting documentation to prove eligibility, and where appropriate, copies are retained; c) All details are recorded on the benefits service software system (Capita); d) Applications have been approved by an appropriate officer; and e) Applicants have been informed of the outcome of assessments.	15
Test a sample of DHP payments and confirm that a) The customer meets the DHP eligibility criteria and b) Payments cease on DHP end date.	15
Check that exception reporting is conducted to ensure compliance with policy, confirmation that changes in BACS payment details are valid, and to identify duplicate payments.	-
For a sample of months occurring between November 2018 and October 2019, confirm that a) A budget monitoring exercise has been conducted, and	6 months

Audit Tests	Sample Size
b) Remedial action has been taken on any variances identified.	
Confirm that the mid-year and year-end return DHP monitoring forms have been completed and submitted to the DWP	-
Verify that there are performance management procedures in place, potentially including but not limited to, periodical team meetings and monitoring reports.	-

Audit Resources

Based on the testing identified we expect this review will need 12 days of audit time.

Audit Timeline

- Fieldwork Begins: w/c 02/12/2019
- Draft Report Issued: w/c 05/05/2020

Appendix II: Assurance & Priority level definitions

Assurance Ratings

Full Definition	Short Description
Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.	Service/system is performing well
Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.	Service/system is operating effectively
Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.	Service/system requires support to consistently operate effectively
Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.	Service/system is not operating effectively
Note for reports issued during the COVID-19 Emergency During this period we have temporarily moved away from giving a single word assurance rating back to a narrative conclusion balancing the strengths and weaknesses of controls in a service. The aim is to streamline discussion at the point of closing a review and allow the discussion to move swiftly on to implementing the agreed actions.	

Recommendation Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Title: Revised Discretionary Housing Payments Policy

Date Completed: November 2020

Stage 1: Equality Impact Assessment

1. What are the main aims purpose and outcomes of the policy change and how do these fit with the wider aims of the organization?
The Council receives an annual grant from the Department of Work and Pensions to provide additional financial help to households in receipt of Housing Benefit or receiving the housing costs element of Universal Credit. Additional short to medium term financial help is then made available via the Council's Discretionary Housing Payments (DHP) scheme which is targeted at households affected by welfare reform or are homeless or at risk of homelessness. The policy was adopted in 2017 to make clear the Council's approach and priorities for DHP awards. It was developed in collaboration with the multi - agency welfare reform group that it hosts, with representation from voluntary sector, social landlords, Job Centre Plus, Kent County Council and MBC housing team. The policy seeks to help address underlying issues which includes the following: • Help alleviate poverty • Encourage employment • Prevent homelessness • Support vulnerable households • Provide support at a time of crisis The Policy reflects the Council's strategic vision and will also help achieve the strategic action 'a home for everyone' as set out in the Strategic Plan. The Policy has been updated to provide clarity that: • a DHP payment is a short term emergency fund • applications will only be accepted from a person within the Council's area • provides a framework for officers to be guided in decision making whilst ensuring consistent treatment but allowing for sufficient discretion • applications can be received by someone acting on behalf of someone else who is vulnerable or needs support • the customer is expected to take responsibility such as taking tenancies at reasonable rents, seeks/receives appropriate housing advice, provides sufficient proof of debts/expenditure, shows evidence of job seeking activities (where not vulnerable) • that the DHP policy will be reviewed annually in future.

2. How do these aims affect our duty to: • Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the act. • Advance equality of opportunity between people who share a protected characteristic and those who do not. • Foster good relations between people who share a protected characteristic and those who do not.
The revisions to Housing Benefit under the Welfare Reform Act 2012 offered a number of protections to those with protected characteristics including those with a disability and the elderly, to prevent inequality. The DHP scheme is open to all Housing Benefit claimants, making no distinction between those with protected characteristics and those without. It is therefore non-discriminative in its aims. DHP advances equality of opportunity for both claimants who share a

protected characteristic and those who do not.

The policy should contribute to fostering good relations with people with protected characteristics and those who do not, who access our services.

3. What aspects of the service change including how it is delivered or accessed could contribute to inequality?

The DHP policy continues to provide clarity on the approach the Council takes with DHP awards.

The scheme itself is flexible and covers a range of housing costs or scenarios. The scenarios listed in the policy are not exhaustive but demonstrate numerous changes in housing circumstances which could affect those with protected characteristics and those without.

The policy is intended for departments and external agencies providing financial/housing advice.

The availability of DHP is promoted through customer service, housing staff, registered social landlords, private sector landlords and local advice agencies. It will also be promoted when the council notifies individuals on their Housing Benefit entitlement or when communicating any change or restriction in Housing Benefit awards and through the information made available online and at customer access points.

Claims for DHP are generally made in writing. If the customer would rather discuss their circumstances in person or they are unable to complete a form a private interview will be arranged.

4. Will the policy have an impact (positive or negative) upon the lives of people, including particular communities and groups who have protected characteristics ? What evidence do you have for this?

The policy makes the Council's approach clear for DHP awards.

When the Policy was developed Census 2011 population data and DHP claimant data used to ensure it was reflective and representative of Maidstone's population and those who were most vulnerable.

The revised policy is intended to be more accessible, consistent and transparent and will be kept under annual review to ensure it is reflective of current needs.

Title: Revised Discretionary Housing Payments Policy

Date Completed: November 2020

Policy and Resources	25 November 2020

Council Tax Reduction Scheme 2021-22

Final Decision-Maker	Full Council
Lead Head of Service	Stephen McGinnes, Director Mid Kent Services
Lead Officer and Report Author	Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership
Classification	Public
Wards affected	All

Executive Summary

Each year Full Council must approve the Council Tax Reduction Scheme for the following year.

Where there are changes proposed, it is necessary for a public consultation to take place.

This report advises the Policy and Resources Committee on the outcome of the Public Consultation together with the recommendation for the Council Tax Reduction Scheme for 2021-22.

Purpose of Report

For Policy and Resources Committee to note the findings of the Public Consultation and to consider the 2021-22 Council Tax Reduction Scheme to be recommended to Full Council for implementation from 1 April 2021.

This report makes the following recommendations to this Committee:

1. That Policy and Resources Committee notes the outcome of the public consultation
2. That Policy and Resources Committee makes a recommendation to Full Council to implement the 2021-2022 Council Tax Reduction Scheme for the reasons detailed in 4.1
3. That Policy and Resources Committee notes the impact of the proposed changes to the Council Tax Reduction Scheme on people with the protected characteristics of disability, sex and age, as set out in Section 1 and Appendix 2 and weighs up these impacts against any potential savings in the administration of the scheme that may be made by the Council as well as achieving the objective, to maintain costs of award of the scheme in line with the current scheme into 2021/22

Timetable	
Meeting	***Date***
Policy and Resources Committee	25 November 2020
Council	9 December 2020

Council Tax Reduction Scheme 2021-22

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Homes and Communities - We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, the council needs to balance the needs of low-income households with the wider interest of local taxpayers to ensure that vulnerable residents are protected whilst providing a scheme that is affordable.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
Cross Cutting Objectives	The report recommendations support the achievement of the Deprivation and Social Mobility cross cutting objective by providing support to low income households.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
Risk Management	The risks associated with implementing and operating the scheme are not considered high. Endorsement of a scheme helps reduce the risk but the overall cost of the CTRS is subject to the risk of household incomes falling, as may be the case if the Covid-19 pandemic leads to an increase in unemployment.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
Financial	The cost of the CTRS impacts on the Council Tax base and thereby the Council Tax yield. If the cost of awards was to increase, this would mean the Council Tax base and overall Council Tax income would reduce. Any change in the cost of the scheme is shared through the collection fund between the Council and preceptors. It is intended that the change to a banded scheme as described in this report would be cost-neutral.	Maxine Mahon, Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
Legal	Section 13A of the Local Government Finance Act 1992 requires the Council to adopt a Council Tax Reduction Scheme. Schedule 1A of the Act requires the Council to consider each financial year whether to revise or replace its scheme.	Keith Trowell, Team Leader (Corporate Governance), MKLS

	The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law. As there are changes proposed for the 2021-2022 scheme further consultation was necessary. Consideration must be given to the findings of the consultation and equality impact assessment in reaching a decision. At this stage there are no direct consequences arising from the recommendation that adversely affect individual's rights and freedoms as set out in the Human Rights Act 1998. Potentially consequences could arise in the future implementation of the Scheme that would need to be evaluated at the time.	
Privacy and Data Protection	It is recognised the recommendations will impact on what information the Council holds on its residents. Data will be held and processed in accordance with the data protection principles contained in the Data Protection Act 2018.	Policy and Information Team
Equalities	Consideration must be given to our legal obligations. The Performance and Information team has been consulted on the report. A separate Equalities Impact Assessment is required and this is shown in Appendix 6.	Policy & Information Manager
Public Health	We recognise that the recommendations will have a positive impact on population health or that of individuals however the preferred option (2) is less likely to reduce health inequalities as much as option 3 which offers an additional 5% uplift in support given to those in receipt of disability and sickness benefits.	Paul Clarke, Senior Public Health Officer
Crime and Disorder	No impact	Sheila Coburn, Head of Mid Kent Revenues and Benefits
Procurement	No impact	Sheila Coburn, Head of Mid Kent Revenues and Benefits

2. INTRODUCTION AND BACKGROUND

2.1 The purpose of this report is to advise on the outcome of the public consultation on proposed changes to the Council Tax Reduction Scheme and make recommendation on the 2021-22 scheme.

2.2 In amending the scheme for 2021-22 the intention is to mitigate the impact of Universal Credit (UC) on the administration of the Council Tax Reduction Scheme (CTRS), together with the billing and collection of Council Tax.

2.3 Council Tax Reduction (CTR) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for the Council Tax Benefit (CTB) scheme administered on behalf of the Department for Work and Pensions (DWP).

2.4 As part of its introduction, Central Government set out a number of key elements:

- The duty to create a local scheme for working age applicants was placed with billing authorities.
- Funding was initially reduced by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
- Persons of Pension Age, although allowed to apply for CTR, would be 'protected' from any reduction in support through regulations prescribed by Central Government.

2.5 Since its introduction in April 2013, our local scheme has been 'refreshed' annually and further changes introduced to ensure that the scheme remains affordable whilst providing support for those most in need.

2.6 Each year the scheme must be approved by Full Council.

2.7 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former CTB scheme but with a basic reduction in entitlement for working age claimants. In Maidstone working age claimants must pay at least 20% of the Council Tax liability, thus benefitting from Council Tax Reduction awards of up to 80%.

2.8 Universal Credit has introduced fundamental changes to how the welfare System operates and replaces a number of existing benefits including Income Support, Job Seekers Allowance, Employment Support Allowance, Working Tax Credits, Child Tax Credits and Housing Benefit.

2.9 CTR is administered as a local discount, putting it outside of the welfare system and scope of UC.

2.10 CTR provides financial assistance in the form of a rebate on the Council Tax bill and whilst cost had reduced over recent years the economic impact of Covid 19 has reversed that trend, with significant increases in demand and cost over the current year.

2016/2017	£10,679,971	
2017/2018	£10,264,000	
2018/2019	£ 9,058,176	
2019/2020	£ 8,652,758	
2020/2021	£ 8,500,000	(original estimated pre COVID)
	£10,083,800	(revised estimated due to COVID)
2021/2022	£10,487,000	(estimated)

2.11 Council Tax Reduction cases for working age claimants have increased since March by 675 from 5,486 to 6,161. A further increase is probable with the end of the furlough scheme in March 2021. A further increase over 500 households seeking support could increase the cost of award of Council Tax Reduction by an estimated £500,000.

2.12 There are frequent changes in UC entitlement to mirror earnings which provide a benefit to the recipient. However, this represents a challenge for the administration of the CTRS due to the increase in reported changes through UC and DWP.

2.13 CTR is calculated as a means tested benefit taking into account the claimant's income and wider circumstances. Earnings are averaged at the start of the claim and reviewed periodically, with the claimant under a duty to report material changes such as an increase in working hours, someone moving in or out of the property. On average, customers report between 2-4 changes per year.

2.14 The changes reported to the Council through UC and DWP are significantly higher, reflecting the link between monthly earnings and benefit payments, with many changes reported per customer annually. Changes can occur each month.

2.15 Given the link between the calculation of CTR and collection of Council Tax, this means some customers receive a new Council Tax bill every month due to what could be minor variations in their earnings and UC award.

2.16 Such a situation provides confusion for customers, limits the effectiveness of the Council in recovering unpaid Council Tax and adds further cost to the administration of the CTRS.

2.17 At its meeting on 21 July 2020, Policy and Resources Committee was advised many authorities have moved to income banded schemes and these have been successfully in operation in authorities in Kent and across the country for a few years now.

2.18 Policy and Resources Committee was advised that an analysis had been carried out and an income banded scheme was the fairest and simplest to administer and explain to customers.

2.19 A simpler income banded scheme includes wide earnings bands. The only changes that would be necessary were if the claimant moved into a different earnings band.

2.20 When determining income for the purpose of the income banded scheme, any benefits the claimant is in receipt of are not taken into account (disregarded). Only employment earnings are used in the calculation.

2.21 So for any claimant who is in receipt of a benefit such as Income Support, Job Seekers Allowance, Employment Support Allowance, Working Tax Credits, disability allowances/premiums child tax credits and maximum UC, these will not be included as income for the income banded scheme.

2.22 The objectives considered when looking at an income banded scheme were to:
- Maintain the maximum basis of award of 80% of Council Tax liability
- Protect disabled households
- Simplify assessments and reassessments
- Maintain costs of award in line with the current scheme had it been carried forward to 2021-22
- Understand the impact on specific groups based on gender, disability and age.

2.23 3 income banded scheme models have been considered.

2.24 Model 1 is a simple scheme made up of five income bands with maximum CTR award of 80% as under the current scheme.

- Monthly income is based on net employment earnings
- Working-age households with earnings above their respective thresholds, or with savings above £10,000, are not eligible for support
- Cost of award estimated to be the same as the current scheme if it had been carried forward to 2021-22 (Model 1 was modelled on this objective).
- Introduction of lower-rate and higher-rate non-dependant deductions (these are deducted from CT liability):
    - Lower non-dependant deductions of £5/week
    - Higher non-dependant deductions of £10/week

The monthly earning bands and maximum award are:

Band	**Household size and earnings threshold**			**Maximum Award**
	No children	**1-2 children**	**3+ children**	
Band 1	Passported/max UC	Passported/max UC	Passported/ max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%

Band 4	£632-£947.99	£775-£1,162.99	£883-£1,324.99	25%
Band 5	£948-£1,263.99	£1,163-£1,550.99	£1,325-£1,766.99	10%

2.25 Model 2 is the same as Model 1 except for an additional 5% uplift to Council Tax Support for households in receipt of disability or illness benefits in respect of the claimant or their partner (subject to a maximum level of support of 80%), on top of the protection of benefits not being taken as income.

- 5% uplift for bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of claimant, partner or child). (Households in band 2+ are households that fall into band 2 (maximum award 65%) but receive an uplift of 5% taking them up to 70%).
- This model is estimated to cost £15k per annum more than the current scheme if it had been carried forward to 2021-22.
- The monthly earning bands and maximum award are:

Band	**Household size and earnings threshold**			**Maximum Award**	
	No children	**1-2 children**	**3+ children**		
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	80%	
Band 2	Less than £316	Less than £387	Less than £441	65%	
Band 2+				70%	
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%	
Band 3+				55%	
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%	
Band 4+				30%	
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%	
Band 5+				15%	

2.26 Model 3 is a further model but with maximum support of 70%, except for households in receipt of disability or illness benefits which will have support uplifted by 10% to 80% in band 1.

- This model will cost £288k less than the current model had it been carried forward into 2021-22.

Band	**Household size and earnings threshold**			**Maximum Award**	
	No children	**1-2 children**	**3+ children**		
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	70%	
Band 1+				80%	
Band 2	Less than £316	Less than £387	Less than £441	65%	
Band 2+				70%	
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%	
Band 3+				55%	
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%	

Band 4+				30%	
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%	
Band 5+				15%	

2.27 There will be gainers and losers as with any new scheme. The income banded scheme makes it a fairer scheme for all claimants, but to mitigate any significant impacts an Exceptional Hardship Scheme will be in place (Appendix 5).

2.28 Although full migration to Universal Credit is not expected until 2024, more and more people are being moved onto UC. With the Exceptional Hardship Policy in place, this will protect those who might otherwise experience severe financial hardship, especially with the change to a new Council Tax Reduction Scheme.

2.29 A public consultation is mandatory where changes are proposed to the CTR scheme and Policy and Resources Committee resolved that delegated authority would be given to the Head of Revenues and Benefits to commence consultation on the 3 models proposed.

2.30 Decision makers are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to

(i) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010,
(ii) Advance equality of opportunity between people from different groups, and
(iii) Foster good relations between people from different groups.

2.31 An equality impact report covering the implications of amending the current scheme and introducing a revised scheme from 1 April 2021 is detailed in Appendix 2. A full EQIA is in Appendix 6.

3. AVAILABLE OPTIONS

3.1 Having completed the consultation the Council can decide:

Option 1 (Model 1) This would be the most straightforward model to implement and administer, and the simplest to explain to customers. Those in receipt of disabled and illness benefits are protected as these benefits, which can make up a significant amount of household income, are not taken into account when calculating CTR.

3.2 Option 2 (Model 2) In addition to the protection received under Model 1, an additional 5% uplift in support is given to those in receipt of disability and sickness benefit who do not fall into Band 1 (maximum award 80%). This was the favourite model of the public consultation.

3.3 Option 3 - Implement Model 3. This was the least favourite model. For the claimants that are not in receipt of disabled/sickness benefits the maximum award would be 70% rather than 80%. Those in receipt of disability/sickness benefits would receive maximum award of 80%. This means the majority of claimants will only receive maximum support of 70%.

3.4 Option 4 - do nothing and continue with the current CTR Scheme. This would mean any changes reported to us would be actioned and a new Council Tax bill will be generated each time a change is made. This would potentially mean that a customer could receive 12 Council Tax bills each year with the Council Tax payments changing each time a revised bill is issued. This would be confusing for the customer as they would be constantly changing the amount they have to pay. The option of 'do nothing' will be administratively time consuming, with an inevitable increase in printing and postage. Policy and Resources Committee took the decision on 21 July 2020 to introduce a new simplified income banded scheme and carry out a public consultation with the 3 models shown in Appendix 3.

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4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The preferred option is Option 2 - to implement Model 2, the reasons being:

The majority of claimants (94%) in receipt of sickness and disabled benefits fall into Band 1 and receive maximum support of 80%

The remaining 6% fall into Bands 2-5 and will benefit from a 5% uplift in support.

The amount involved in awarding a 5% increase in support is small in comparison to the overall cost of award.

This was the favoured model from the public consultation.

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5. RISK

5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 The survey was open between 31 July 2020 and 27 September 2020 and residents who have signed up for consultation reminders were notified and sent an invitation to participate in the consultation. In addition, all CTR claimants were emailed directly. In total 12,400 residents were contacted.

6.2 Background information provided as part of the consultation explained the impacts of each of the proposed models and the rationale behind why each model was being considered.

6.3 The survey was promoted on the Council's website and social media. Paper copies were available on request.

6.4 The survey was open to all Maidstone borough residents aged 18 years and over. There was a total of 244 responses to the survey which represented under a 2% response rate.

6.5 Respondents were asked to rank the three models in order of preference, where 1 was their favourite model and 3 was their least favourite model. 163 respondents answered this question.

6.6 Models that were ranked as 1st (favourite model) were allocated a weighting of 3, the second favourite models were allocated a weighting of 2 and the least favourite models (ranked 3rd) were allocated a weighting of 1. This allowed a weighted average to be calculated.

6.7 The greatest mean score indicates Model 2 was ranked the preferred model as highest at 2.21, followed by Model 1 (1.97). Model 3 was the lowest rated model (1.85).

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 A decision on the final scheme to be implemented is required by a meeting of Full Council on recommendation by Policy and Resources Committee.

7.2 That decision will be publicised through the local media with those residents directly affected by the changes notified in writing of planned changes.

7.3 The revised CTRS will take effect from 1 April 2021 and be reflected in the annual Council Tax bills to be sent in March 2021.

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8. REPORT APPENDICES

- Appendix 1: Consultation Results
- Appendix 2: Full Banded Scheme Report
- Appendix 3: Banded Schemes 1,2 and 3
- Appendix 4: Model 1 Case scenarios
- Appendix 5: Exceptional Hardship policy

- Appendix 6: EQIA

Maidstone Borough Council

Council Tax Reduction Scheme Consultation

2020

Policy & Information Team
October 2020

Contents

Methodology

The survey was open between 31 July and 27 September 2020. It was promoted online through the Council's website and social media channels. Residents who have signed up for consultation reminders were notified and sent an invitation to participate in the consultation along with several reminders. In addition, existing claimants were emailed directly and notified of the consultation.

Background information, that explained the impacts of each of the proposed models for the Council Tax Reduction Scheme (CTRS) and the rationale behind why each option was being considered was provided as part of the consultation.

There was a total of 244 responses to the survey. However, of the 244 responses, 81 people that did not answer survey question that ranked the proposed models in order of preference. Because of this, the demographics of respondents outlined in this report are limited to those who answered the ranking question (163). Comments from all respondents are included in the comments section regardless of whether the ranking question was answered or not.

An online survey is a self-selection methodology and respondents are free to choose whether to participate or not. The returned responses were not fully representative of the wider adult population. This report discusses the actual responses with *no weighting* applied.

Where reference has been made in the report to a 'significant difference' in response between groups, the proportional data (percentages) has been z-tested and means (scores) have been t-tested. These tests determines if the difference between subgroups is large enough, taking into account the population size, to be statistically significant (meaning that if we were to run the same survey 100 times, at least 90 times out of 100 the same result would be seen) or whether the difference is likely to have occurred by chance.

Demographic differences between groups are discussed in detail except for ethnicity as there were not enough respondents from BAME backgrounds (8) to assess.

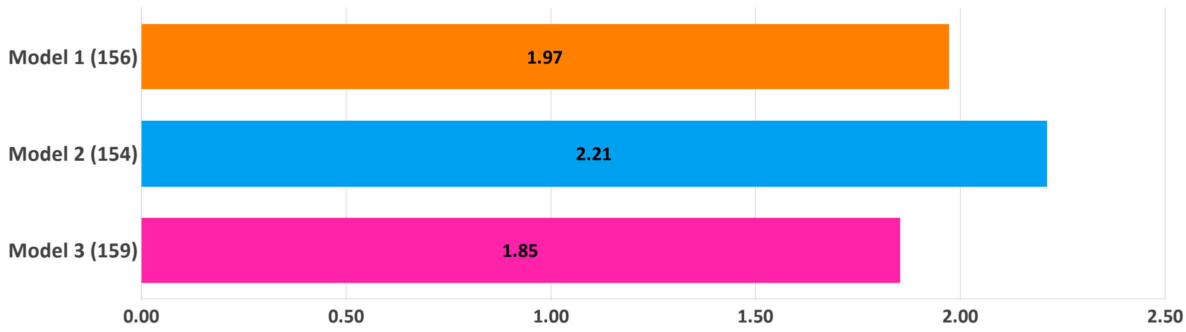
Please note that not every respondent answered every question, therefore the total number of respondents refers to the number of respondents for the question being discussed, not to the survey overall.

Overall Results

Survey respondents were asked to rank the three models in order of preference.

Models that were ranked as 1st (favourite model) were allocated a weighting of 3, the second favourite models were allocated a weighting of 2 and the least favourite models (ranked 3rd) were allocated a weighting of 1. This allowed a weighted average to be calculated, the results of which are shown in the chart below. The greatest mean score indicates the preferred model.

There were 163 responses to this question. It should be noted that not all respondents ranked all options hence the disparity in votes.



Overall, model 2 was the preferred option, with model 1 second and model 3 the lowest scoring option.

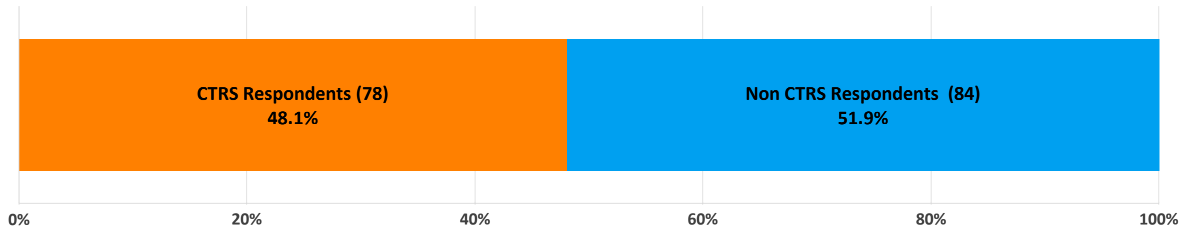
Results by Demographic Grouping

The charts below show the rating awards to the models by the different demographic groups.

Respondents in receipt of support under the existing scheme.

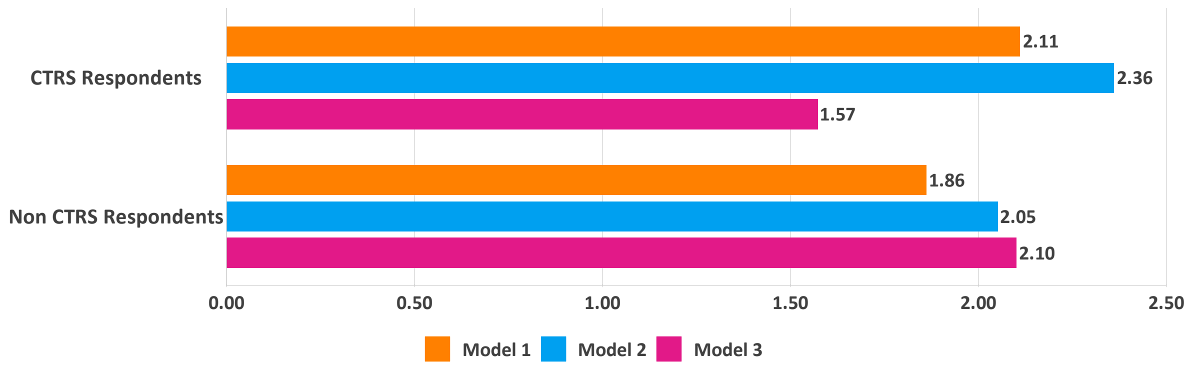
Survey respondents were asked if they currently received support through the Council Tax Reduction Scheme. Just over half of survey respondents said they were not in receipt of support.

Please note that respondents who said they were in receipt of Council Tax support will be referenced in the report as 'CTRS respondents' and those who were not will be referenced as 'Non CTRS Respondents'.



The gender profile of CTRS respondents is in line with the profile for existing CTRS claimants with an over-representation of females – female respondents account for 62.2% of this group. The chart below shows how these groups ranked the three models.

Generally, CTRS respondents were over-represented when compared to the population of Maidstone overall. The proposals have the greatest impact on CTRS respondents; therefore, it is not unexpected that this group would be more interested in responding to the proposals.

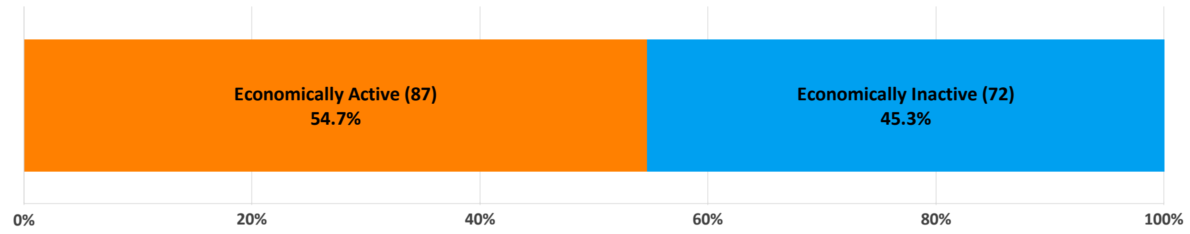


The differences in mean score between the way these groups have ranked models 2 and 3 are significantly different from each other, meaning that they are likely to be repeated if the survey was run again. CTRS respondents were more likely to rate models 1 and 2 higher than those who do not receive CTRS.

- 40.0% of non-CTRS respondents placed Model 1 last compared to 25.3% of respondents that receive CTRS.
- Model 2 was the most popular for CTRS recipients, 44.0% placed this model as their first choice and 8.0% placed model 2 last. This is significantly lower than the proportion who do not receive CTRS.
- Model 3 was the most popular for non-CTRS respondents. 45.8% ranked this model as first compared to 22.7% of respondents that receive CTRS.

Economic Activity

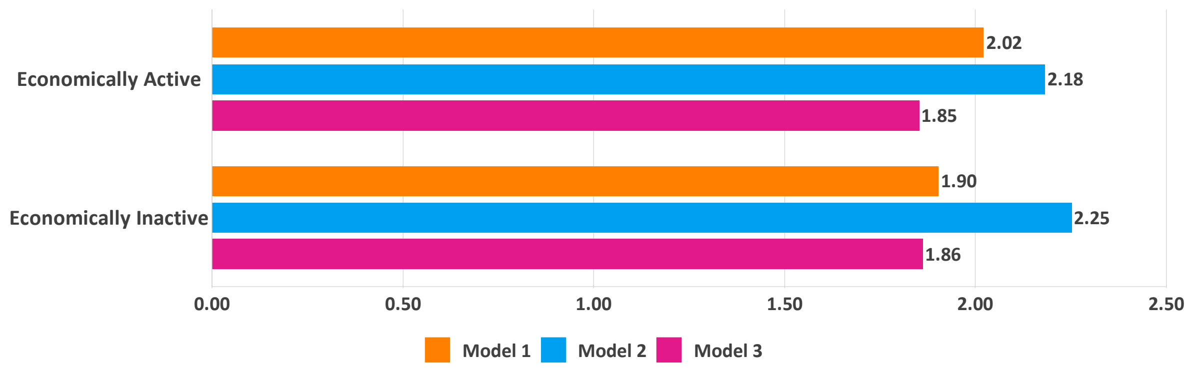
Survey respondents were asked to select from a list of activities that best describes what they are doing at present as a means of identifying economic activity.



Overall, 54.7% of respondents indicated that they were economically active. This is lower than the overall proportion for the borough where 72.9%[1] people are classified as economically active.

24.1% of all respondents are economically active and claiming CTRS and 24.7% of all respondents are economically inactive and claiming CTRS.

The chart below shows how economically active and economically inactive respondents ranked the three models.

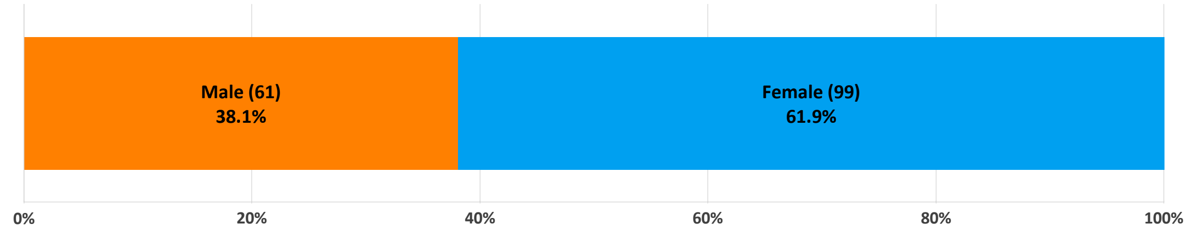


Both groups ranked the models in the same order, preferring Model 2 overall. There were no significant differences in response between these two groups.

[1] 2011 Census

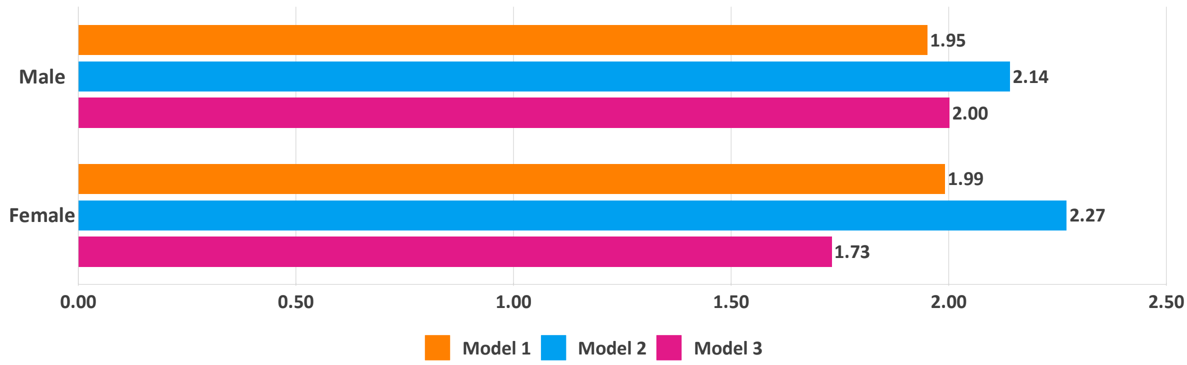
Gender

Survey respondents were asked to select their gender. The chart below shows the proportion of responses answering male and female.



As females account for a greater proportion of CTRS recipients it is not unexpected that there would be a greater proportion of female responders.

The chart below shows the how male and female respondents ranked the models.

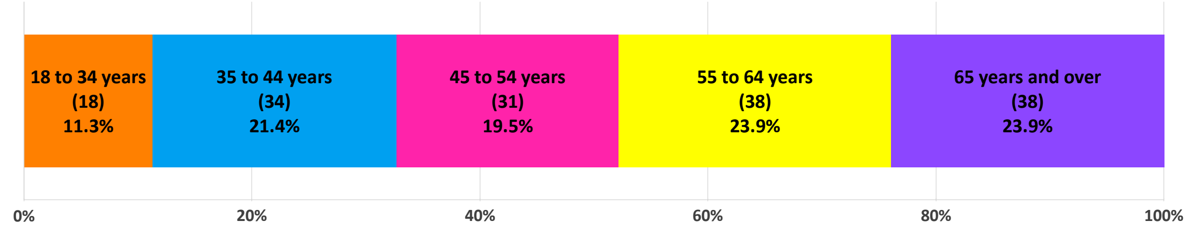


The preferred model for both male and female respondents was model 2. The difference in overall scores between these two groups were not significant.

- Male responders were more likely to rate model 3 as first with 43.1% responding this way compared to 28.6% of female responders. However, this is balanced by an equal proportion of male responders (43.1%) ranking model 3 as third.

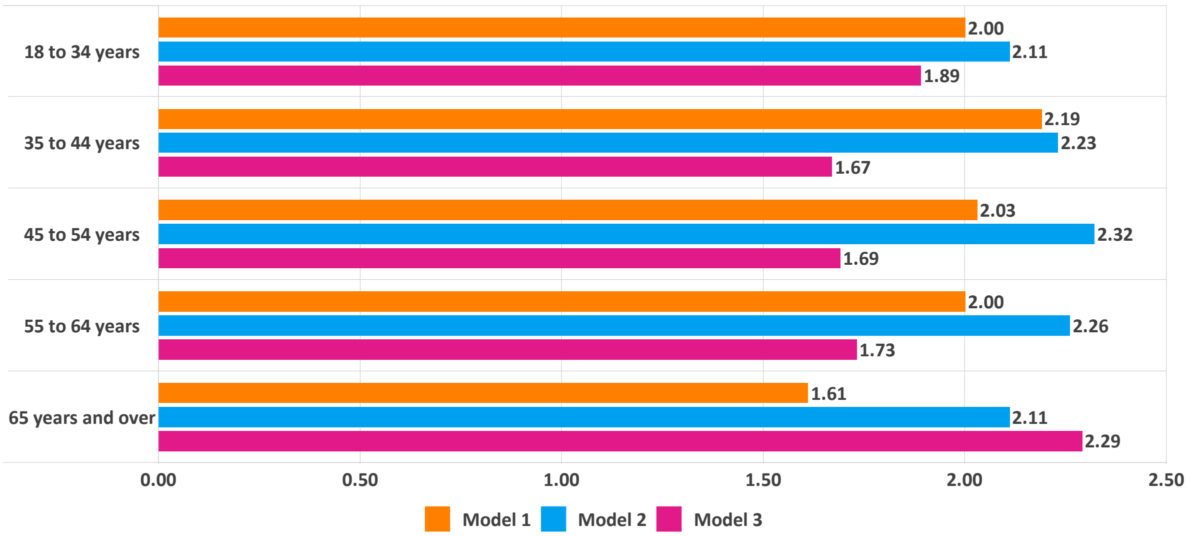
Age

The chart below shows the proportion of responders across the different age groups. Respondents aged 18 to 34 are under-represented when compared to the population of Maidstone.



Overall, 13.9% of survey respondents were age 35 to 44 years and in receipt of CTRS and 18.4% of respondents were aged 65 years and over and non-CTRS recipients.

The chart below shows how respondents across the different age groups ranked the three models.



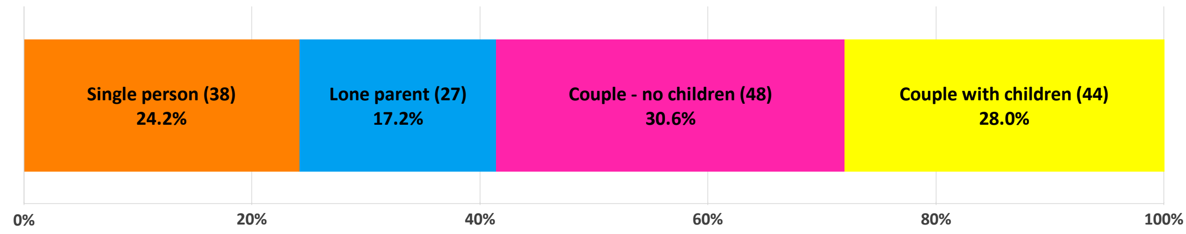
The preferred option for the age groups up to 64 years was model 2. While the preferred model for the those aged 65 years and over was model 3.

While there are significant differences in the scores between age groups for models 1 and 3 the scores for model 2 are statistically similar.

- The 35 to 44 years had the greatest proportion placing model 1 as first at 43.8% and the 65 years and over group had the lowest proportion responding this way at 19.4%.
- The 45 to 54 years had the lowest proportion placing model 3 as first at 27.6% and the 65 years and over had the greatest proportion responding this way at 50.0%.

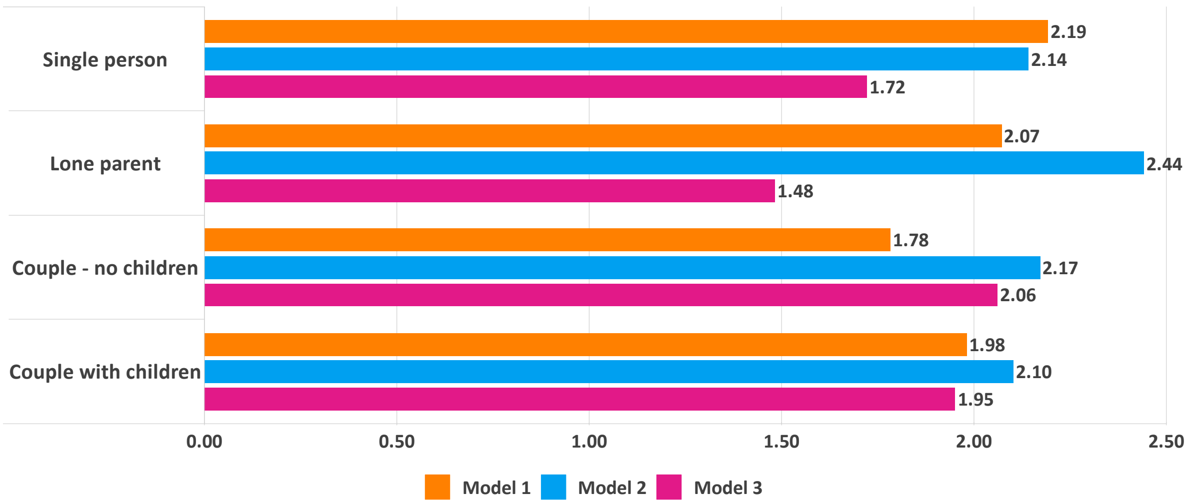
Households Type

Survey respondents were asked to select the type of household they lived in. The proportions of each different household type are shown below.



Compared to the local population, lone parent households are over-represented with 17.2% of survey respondents in this group compared to 6.7%[2] in Maidstone overall.

The chart below shows model 1 was the highest rated model for single persons and model 2 was the highest rated model across the remaining different household types. Respondents with children that do not live at home (non-dependant) have been categorised as either single or couple without children.



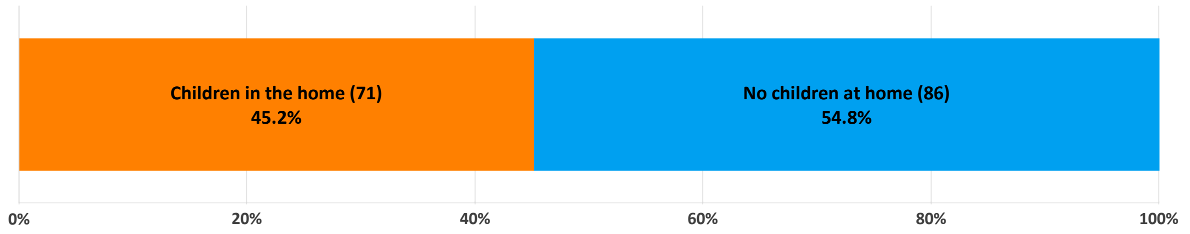
There were significant differences in the way different household types have responded across all the models. The overall scores for model 2 between lone parents and couples with children are significantly different – showing lone parents had a stronger preference for model 2 than couples without children.

- Single persons had the greatest proportion ranking model 1 as first at 44.4%, this is significantly higher that the proportion responding the same who were in couples without children (23.9%).
- 74.1% of lone parents ranked model 3 as third. This is significantly greater than the proportions responding the same from both groups containing couples.

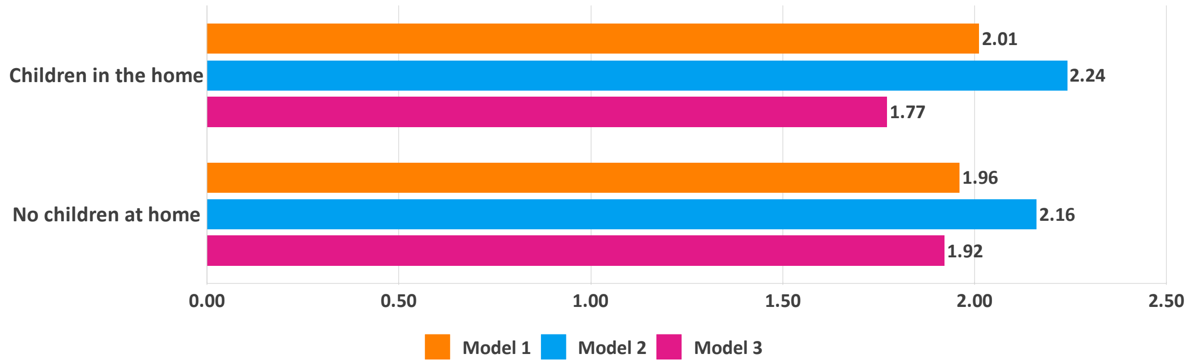
[2] 2011 Census

Households with Children

The household type question has been used to identify which survey respondents have dependant children at home. The proportion of respondents with dependent children in the home is greater than that of the Maidstone population overall where this household type accounts for 30.6% of the population.



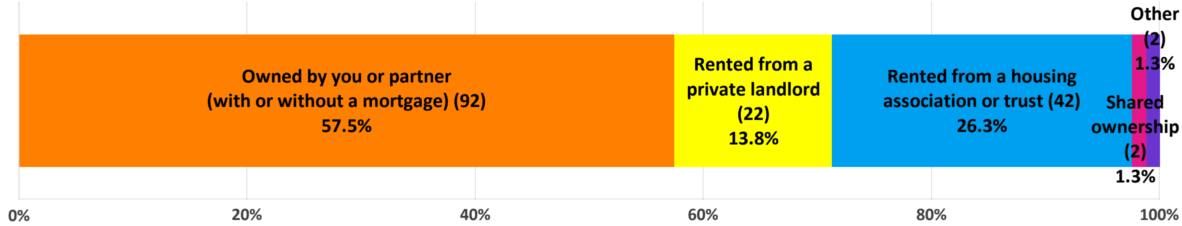
The chart below shows the scores for households with children in the home and those without children in the home.



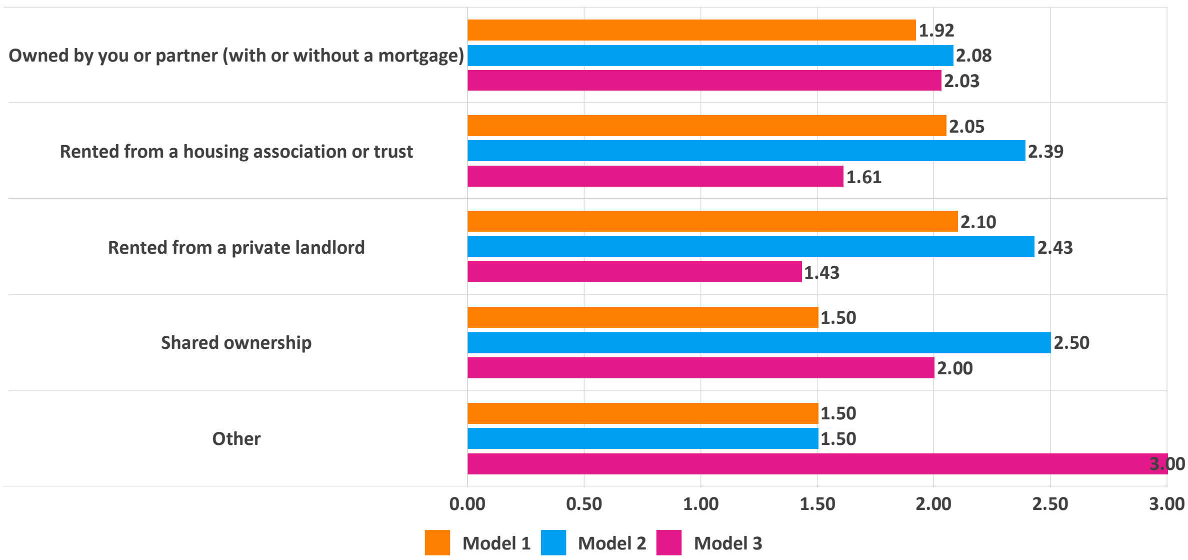
Both groups ranked the models in the same order, preferring Model 2 overall. There were no significant differences in overall scores between these two groups. There were also no significant differences in the proportions selecting each ranking between these groups.

Housing tenure

Survey respondents were asked to select their housing tenure. The proportions of each different household type are shown below.



The chart below shows the scores from respondents by housing tenure type. Please note 'Other and 'Shared ownership results cannot be assessed for significance due the small number of respondents in these groups.



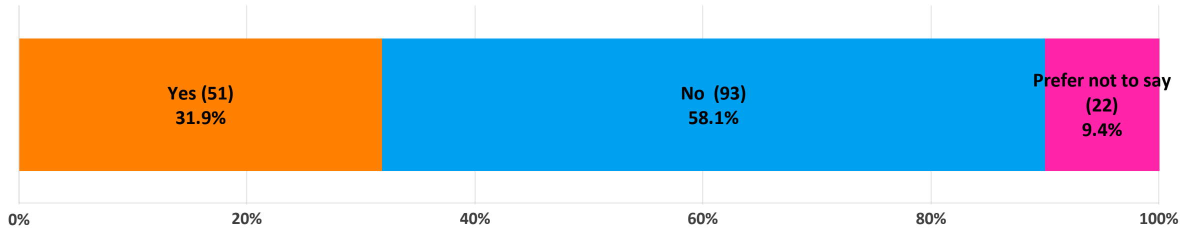
For the three categories that can be assessed, model 2 was the preferred option. Model 2 scores for respondents in privately rented property and rented from a housing association or trust are significantly greater than those for respondents in property owned by themselves (or their partner)

The model 3 score for respondents that live in a property owned by them or their partner are significantly greater than that for respondents that live in privately rented property or property rented from a housing association or trust.

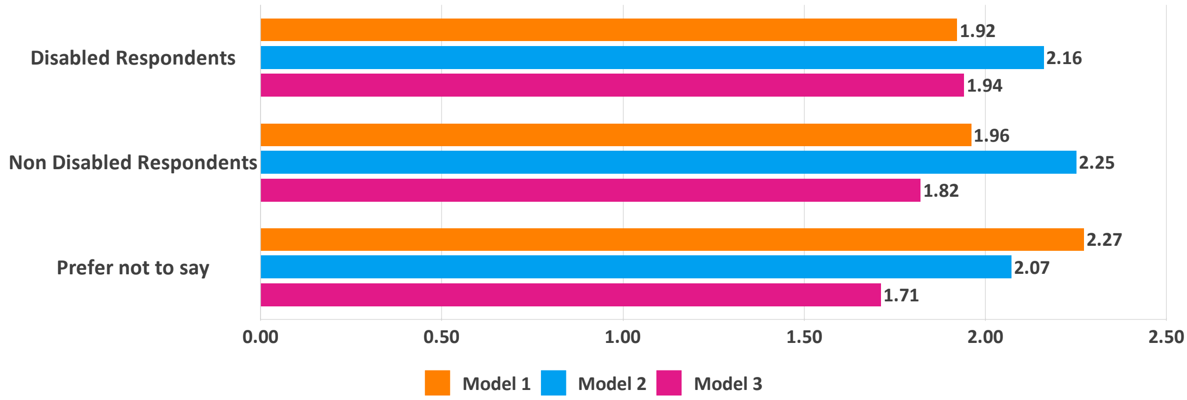
- Respondents that rent their property from a housing association or trust had a significantly greater proportion placing model 2 as first at 48.8% compared to respondents that own their property where 28.2% placed model 2 first.
- Respondents that live in homes they own had the greatest proportion placing model 3 as first at 43.3%. This is a significantly greater proportion that those responding the same way from the other tenure types.

Disability

Survey respondents were asked to if they have a disability or a long-term illness. The proportions of responses are shown below.



Respondents with a disability are over-represented in the results when compared to Maidstone's population where 15.2%[3] are reported to have a long-term health problem or disability.



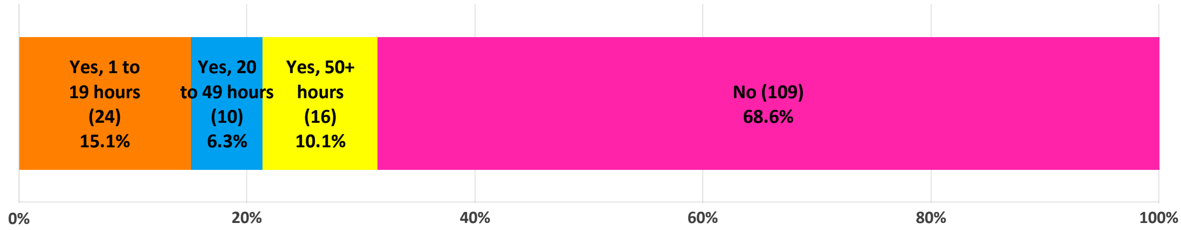
Both disabled respondents and non-disabled respondents ranked the models in the same order, preferring Model 2 overall.

Although model 1 was the preferred option for respondents who chose not to provide their disability status there were no significant differences overall scores between these groups. There were also no significant differences in the proportions selecting each ranking between these groups.

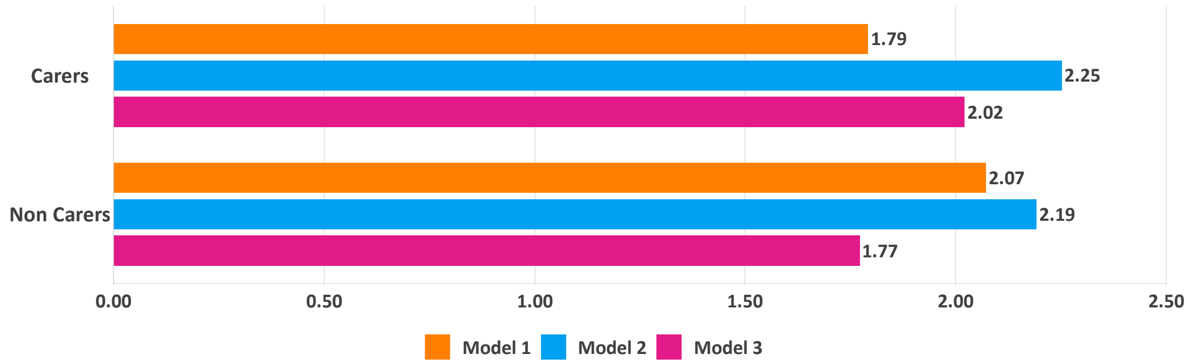
[3] 2011 Census

Carers

Survey respondents were asked to if they provide any unpaid care. The proportions of responses are shown below.



Compared to the population of Maidstone carers are over-represented in the responses to the survey with a reported 10.2%[4] reported as providing unpaid care in Maidstone compared to 31.5% of survey respondents.



Both groups scored model 2 the highest. Model 3 was the second choice for respondents that are carers and model 1 was the second choice for non-carers. The scores between these groups for model 1 are significantly different meaning the same difference would be seen if the survey was run again.

- A significantly greater proportion of non-carers placed model 1 as first, with 37.5% responding this way compared to 16.7% of carers.
- A significantly greater proportion of carers placed model 3 first with 45.8% responding this way compared to 29.9% of non-carers.

[4] Census 2011

Comments

Please note that some comments appear to evaluate the scheme as a whole rather than the model being directly asked about.

Model 1

There were 38 comments given by responders in the space for comment relating to model 1. Seven of these have been classified as N/A as they simply say 'None' or the meaning cannot be identified.

Of the remaining 31 comments, 12 comments have been identified as negative. three of these suggest that the award is too high and two said it seemed too harsh. Other comments classified as negative included comments about Council Tax increasing each year, that it should not change or that no one should receive a discount.

There were six comments that have been classified as positive with responders stating that it seems fair, that it is generous and a 'good idea'.

There were four comments suggesting that the proposals were too hard to understand as well as two queries about how the scheme worked.

Three respondents stated they thought the scheme/model disincentivised working people and one stated it was unfair on working families. Two respondents mentioned the need to consider disability with one identifying child disability. There were two comments about children with one stating that there shouldn't be an increase for more than 2 children and another stating that the model penalised parents that had more children.

Model 2

There were 46 comments given by respondents in the space for comments relating to model 2. Eight of these have been classified as N/A as they simply say 'None' or the meaning could not be identified.

Of the remaining 38, 16 were positive. Respondents stated that model 2 was their preferred option or that is seemed the fairest.

Six comments were classified as negative. Two said they didn't see the need to give a greater allowance to everyone that gets disability allowance, one said it was their least preferred model, one stated they preferred model 3 and one stated that it was too costly. The final negative comment stated that no-one should receive any discount.

In addition to the comments categorised as negative, there were three respondents whose comments concluded that this model was unfair on working families.

Two respondents mentioned children with one stating that there should not be an increase for families with more than two children and the other that those with children should receive less support. One respondent stated that Council Tax should be lower overall and one expressed frustration with the savings threshold.

Two comments mentioned disability with one stating the need to consider child Disability Living Allowance (DLA) and another suggesting that only those who received higher levels of disability benefits should qualify to receive the uplift in support.

There were two comments that expressed a lack of understanding about the proposals and one queried if the amounts quoted for earning were weekly.

Five comments have been classified as ‘other’. One raised concerns about single person households being worse off than families, one said that it shouldn’t be made more difficult to make a claim, one said it should be available to everyone and another said discounts for age and disability should be standard. The last comment in this section was neutral stating that model 2 was better than model 1 but not as good as model 3.

Model 3

There were 42 comments were given by respondents in the space for comment relating to model 3. 12 of these have been classified as N/A as they simply say ‘None’ or the meaning cannot be identified.

Of the remaining 30 comments, 13 have been identified as being positive. These respondents said that they thought model 3 was fair, that it was the best option or that model 3 was their preferred option. There were also two comments that stated the uplift should be greater.

There were three comments that have been classified as negative, expressing the need to leave the system alone, that they preferred model 2 and that they don’t agree with the big discounts.

Three people mentioned disability with one saying that the most ill should have the most benefit, one stating the need to consider child DLA and one saying to cut the extra 5% disability allowance. In addition, there were two comments that queried the need for the extra support that model 3 offers.

The comment about frustrations with the saving threshold was repeated in this section along with two comments about families with children with one stating that greater discounts for families with more than two children were not fair. This comment also queried why single people need support, saying it disincentivised working. The second comment queried why those without children should support those with children.

There were three comments that stated the scheme was too complicated or confusing.

One comment was classified as ‘other’ that said no discount should be available at all - then everyone would get a reduction in Council Tax.

Other comments

When asked for any further comments about a proposal 57 responders provided a comment. Five of these have been classified as N/A as they simply say ‘None’ or the meaning cannot be identified.

Of the remaining 52 comments, ten expressed confusion or a lack of understanding about the proposal stating that they did not understand the proposals or that they were too complicated.

In terms of the models, there were four comments in support of model 1, two in support of model 2 and five in support of model 3.

Three respondents expressed that they were not in support of having a Council Tax Support Scheme and three suggested that the proposals were unfair. Two said that Council Tax was too high in general while another three comments were positive about changing the scheme

Three respondents suggested the award was too low and one said it was too generous. Three expressed concerns about people experiencing financial hardship. Two respondents said support should be available in special circumstances.

Four comments mentioned disabled people, three of which suggested that this group should be protected and one stated that there should *not* be an automatic uplift in award for this group. Two comments mentioned pensioners with one querying how the proposals impacted this group and the other stating that this group should receive a Council Tax discount.

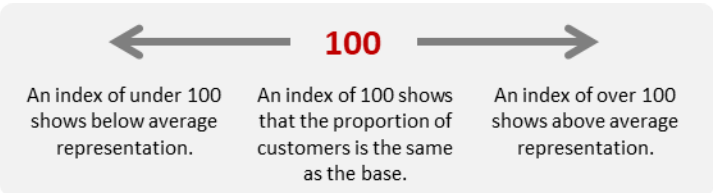
There were six comments that have been classified as ‘Other’. Two of these comments stated that experts or Councillors should make this decision. One said the Council should engage more with central Government about changes to Benefits, specifically Universal Credit. One said the scheme should be available to all. There was a repeated comment expressing dissatisfaction with the saving threshold and one comment said there was little difference between the models.

Acorn Analysis

The Acorn Profile provides a summary of the demographic, social and lifestyle attributes of the profile set and is derived using the recognised behaviours of Acorn Types across the whole of the UK. It is therefore an estimate of the likely characteristics that you might expect to find, based on the relative proportions of the individual Acorn Types found within the profile set.

The Acorn profile report helps you understand the underlying demographics and lifestyle attributes of your customers by comparing their Acorn profile to a base (e.g. UK population, specific area or other customer groups).

INDEX



An Acorn profile has been run comparing respondent households (where the ranking question was completed) to Maidstone households overall.

- The profile shows that respondents that are unemployed are over-represented in the respondent profile.
- A greater proportion of respondents have low incomes (less than £20k) compared to Maidstone households in general. They are also slightly less likely to have savings and more likely to have been refused credit in the past.
- Respondents are more likely than the average Maidstone household to live in a terraced property or flat that is socially rented.

KEY FEATURES - Respondent households compared to Maidstone households

(Based on most over-represented in the profile)

Age	35-49	Social Grade	C1	Children At Home	0
House Tenure	Social Rented	Household Income	£40k	Social Media Usage	Medium

DEMOGRAPHICS

AGE

	%	INDEX
0-17	21%	102
18-24	8%	102
25-34	13%	102
35-49	20%	101
50-64	19%	98
65-74	10%	96
75+	8%	96

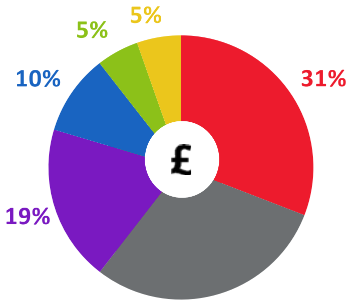
FAMILY

	%	INDEX
Couple - No Children	19%	96
Couple - With Children	21%	100
Lone Parent	7%	108
Single - No Children	17%	103
All Student/ Pensioner	20%	96

KEY INSIGHTS

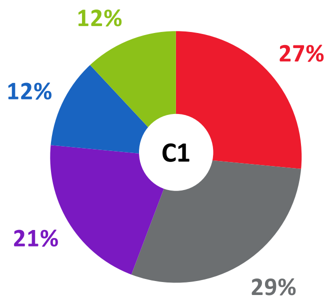
- The average age of the population in the profiled households is slightly younger when compared to the base.
- Households containing lone parents occur more in this profile than in the base.
- 30.9% of the profile live in households with an income less than £20k.
- The dominant Social Grade is C1 and the most over-represented is E.
- There is a higher proportion of people in this profile who are unemployed than in the base.

INCOME



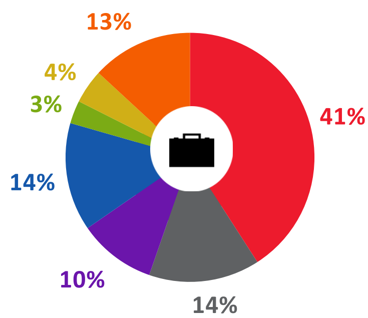
- £0-£20k (Index: 109)
- £20k-£40k (Index: 98)
- £40k-£60k (Index: 95)
- £60k-£80k (Index: 95)
- £80k-£100k (Index: 96)
- £100k+ (Index: 97)

SOCIAL GRADE



- AB (Index: 95)
- C1 (Index: 98)
- C2 (Index: 101)
- D (Index: 107)
- E (Index: 113)

EMPLOYMENT



- Full-Time (Index: 99)
- Part-Time (Index: 101)
- Self-emp. (Index: 94)
- Retired (Index: 96)
- Unemp. (Index: 112)
- Student (Index: 103)
- Other (Index: 108)

MOTOR & HOME

CARS

	%	Index
No Cars	21%	110
1 Car	46%	99
2 Cars	26%	96
3+ Cars	7%	95

CAR TYPE

	%	Index
Mini/ Supermini	23%	94
Small Family Car	26%	98
Large Family Car	24%	100
Luxury/ Executive	4%	91
Sports/ 4x4/MPV	5%	92

KEY INSIGHTS

- Most households will have access to a small family car.
- A higher proportion, in comparison to the base, are likely to have a large family car.
- Flats are 6.2% more likely than in the base.
- 18.6% of the households in the profile are likely to be social rented.
- About 8% of households will have 1 bedroom.
- The prevailing size is 2 people but households with 1 person appear more than in the base.

TENURE

	%	Index
Owned Outright	32%	94
Private Rented	16%	94
Owned Mortgage	32%	97
Social Rented	19%	128

TYPE

	%	Index
Terraced	26%	105
Semi-detached	34%	97
Flat	16%	106
Detached	24%	95
Bungalow	7%	94

BEDROOMS

	%	INDEX
1	8%	115
2	24%	100
3	46%	100
4	18%	98
5+	4%	91

SIZE

	%	Index
1 Person	18%	103
2 People	37%	98
3-4 People	37%	101
5+ People	8%	102

Maidstone Borough Council
Localised Council Tax Support

July 2020

Contents

EXECUTIVE SUMMARY

Maidstone Borough Council has commissioned Policy in Practice to model three income-banded council tax support schemes. Model 1 is a simple scheme made up of five income bands with maximum support of 80%. Model 2 is the same as Model 1 except for an additional 5% uplift to council tax support for households in receipt of disability or illness benefits in respect of the claimant or their partner (subject to a maximum level of support of 80%) within bands 2-5. Model 3 follows from Model 2 by lowering the maximum support for non-protected households in band 1 from 80% to 70%. Households in receipt of disability or illness benefits who fall into band 1 retain the current 80% maximum.

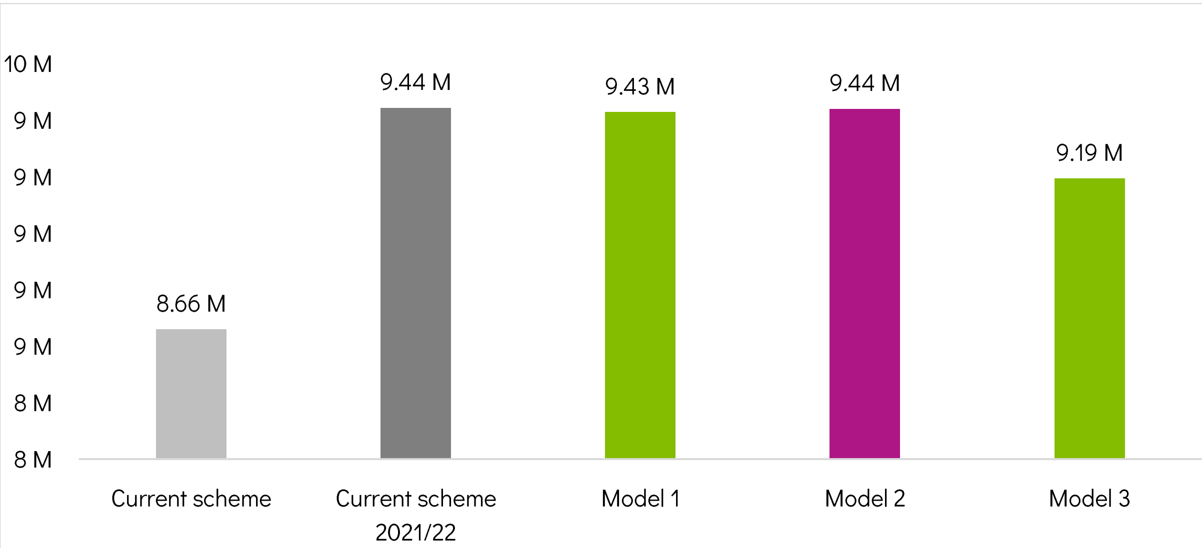
This report presents the findings that result from modelling these three council tax support schemes for 2021/22 on behalf of Maidstone Borough Council. Headline figures for a third provisional model have also been provided, ahead of confirmation of the final model.

In addition to the three main Models, the Council wants to capture the:

- The headline figures of a fourth model; including the total cost, average CTS award and change in support for working age households
- Loss in support for specific groups based on gender, disability and age group (ages 18-24 and ages 60-64), under Model 1, Model 2 and Model 3

The figures below show the annual cost of the current scheme, the cost of retention of the current scheme into 2021/22, and the three models agreed with Maidstone Borough Council.

Cost of schemes and models



Cost of current scheme, current scheme retained into 2021/22, Model 1, Model 2 and Model 3, £M/annum

Income-banded schemes

Income-banded schemes award different levels of discount based on set bands of income and help to contain administration costs against increased council tax support assessments under Universal Credit. This is because reassessment of cases will only be required if income crosses one of the income-band thresholds.

Income-banded schemes are simpler to understand than the current scheme. An income-banded scheme therefore allows the council to convey a relatively simple eligibility message to residents.

Findings:

The findings of the impact assessments and modelling are given in two tables within this executive summary:

- **The Key Findings** table (below) shows the cost and the main social and distributional impacts of the three main models.
- **The Comparison of Weekly Support (£/week)** table (below) shows the level of weekly council tax support for different types of household currently, if the current scheme was retained into 2021/22, and for the three main models.

Key Findings

	Model 1	Model 2	Model 3
Cost	This model costs £9.43M. The model costs £768,039 more than the current scheme (2019/20) and is similar to costs if the current scheme were to be retained into 2021/22.	This model costs £9.44M. Similarly to Model 1, Model 2 costs £779,886 more than the current scheme (2019/20) and similar to if the current scheme were retained into 2021/22.	This model costs £9.19M. Model 3 costs £533,733 more than the current scheme (2019/20), which is £249,533 less than if the current scheme were retained into 2021/22. Where Models 1 and 2 kept costs close to the current scheme in 2021/22, Model 3 saves over £230,000 compared to each of the former models.
Administration	Administrative savings are expected compared to retention of current scheme into 2021/22. This is due to a reduction in the number of re-assessments as assessment is only required if income crosses an income-band threshold.	Administrative savings are expected compared to retention of current scheme into 2021/22. This is due to a reduction in the number of re-assessments as assessment is only required if income crosses an income-band threshold.	Administrative savings are expected compared to retention of current scheme into 2021/22. This is due to a reduction in the number of re-assessments as assessment is only required if income crosses an income-band threshold.
Claim numbers	25 households will lose all support. This is 0.5% of the current working-age caseload. 76.2% of all households are placed in the highest band where their CTS is based on 80% of their liability.	Like Model 1, 25 households will lose all support (0.5% of the current working-age caseload). Again, 76.2% of households are placed in the highest band of 80%.	Like Models 1 and 2, 25 households will lose all support (0.5% of the current working-age caseload). 76.2% of all households are places in the highest bands, which awards 80% to protected households (41.6%) and 70% to remaining households (34.6%).
Political and social impact	286 households will see their support reduce by over £5/week – this is 5.3% of all working-age claimants. 505 households will gain more than £5/week. This is 9.3% of working-age households. Lone parents	Slightly fewer households will see support reduce – while slightly more households will see support increase – by over £5/week in Model 2 compared to Model 1. 268 households will see their support reduce by over	281 households will see their support reduce by over £5/week – this is 5.2% of households. 471 households will see their support increase by over £5/week. This is 8.7% of working-age households.

	are especially likely to gain support. Both losers and gainers tend to be larger households which are employed or self-employed. However, legacy households are more likely to lose compared to their Universal Credit counterparts. This is due to the impact of earnings disregards that apply under the current scheme but not under Model 1.	£5/week – this is 4.9% of all working-age claimants. 508 households will gain more than £5/week. This is 9.4% of working-age households. Lone parents are especially likely to gain support As with Model 1, both losers and gainers tend to be larger households which are employed or self-employed but legacy households are more likely to lose compared to their Universal Credit counterparts.	Fewer households gain under Model 3 than under either Model 1 or 2 because of the reduced maximum support for non-protected households in band 1.
Distributional Impact	This model re-distributes support primarily from households in receipt of legacy benefits to households in receipt of Universal Credit. This redistribution reduces the existing gap between awards. Change to weekly CTR varies across groups. The following groups will typically see an increase to their average weekly CTR: - Employed households in receipt of UC (28.2%) - Lone parents in receipt of UC (13.8%) or lone parents with a child below 5 and in receipt of UC (12.4%) - Couples with children in receipt of UC (12.2%) Groups that will typically see a decrease in weekly CTR include: - Employed or self-employed households in receipt of legacy benefits (-17.6 % and -21.9% percentage reduction to weekly CTR, respectively)	Similar to Model 1, this Model 2 re-distributes support primarily from households in receipt of legacy benefits to households in receipt of Universal Credit. This redistribution reduces the existing gap between awards. Model 2 extends the effects seen under Model 1 in terms of those that gain support compared to retention of the current scheme. The groups affected include: - Employed households in receipt of UC (29.2%) - Lone parents in receipt of UC (13.9%) or lone parents with a child below 5 and in receipt of UC (12.4%). - Couples with children in receipt of UC (12.8%) Households will typically see a less pronounced reduction in weekly CTR compared to Model 1. Groups that see a decrease compared to retention of the current scheme include: - Employed or self-employed households in receipt of legacy	Unlike the previous models, Model 3 reduces support across households in receipt of Universal Credit and households in receipt of legacy benefits. Universal Credit claimants remain less negatively impacted, however. Many groups see an increase in support, like under Model 2. These groups include: - Employed households in receipt of Universal Credit (22.6%) - Couples with children in receipt of Universal Credit (6.2%) However, more groups see a reduction in support. These include: - Couples with no children in receipt of Universal Credit (-13.9%) - Couples with children in receipt of legacy benefits (-18.1%) - Households in receipt of out-of-work benefits (-7.4% under UC; -3.9% under legacy)

	- Couples with children in receipt of legacy benefits (-17.7%)	benefits (-15.6% and -21.1% respectively) Couples with children in receipt of legacy benefits (-16.8%)	
Focus group impact	Of the 25 households that lose support: - 4 are single female households - 1 is aged 60-65 - 8 are disabled Of the groups above, only female households are more likely to be worse off than the comparison group – 1.9% of female lone parent and single households (compared to only 0.8% of male single and lone parents). The reverse is true for disabled households – these tend to be under-represented in the losing group (2.7% compared to 3.6% among non-disabled). ** Note: categories may overlap.*	The same as under Model 1, of the 25 households that lose support: - 4 are single female households - 1 is aged 60-65 - 8 are disabled Of the groups above, only female households are more likely to be worse off than the comparison group – 1.8% of female single adult households (compared to only 0.6% of male single adult households) The reverse is true for disabled households – these tend to be under-represented in the losing group (2.1% compared to 3.6% among non-disabled), and to a greater extent compared to Model 1. ** Note: categories may overlap.*	The same as under Model 1 and 2, of the 25 households that lose support: - 4 are single female households - 1 is aged 60-65 - 8 are disabled Of the groups above, only female households are more likely to be worse off than the comparison group – 1.9% of female single adult households (compared to only 0.6% of male single adult households) The reverse is true for disabled households – these tend to be under-represented in the losing group (2.1% compared to 3.6% among non-disabled), and to a greater extent compared to Model 1. ** Note: categories may overlap.*

Comparison of models

Comparison of weekly support (£/week)

Comparison of council tax support (£/week)					
	Current scheme in 2019/20	Current scheme in 2021/22	Model 1	Model 2	Model 3
All working age	£17.11	£18.57	£18.51	£18.56	£17.68
Legacy benefits	£17.34	£19.13	£18.38	£18.42	£17.84
Universal Credit	£16.54	£17.80	£18.70	£18.74	£17.47
CT band					
A	£13.82	£14.97	£15.00	£15.02	£14.38
B	£16.02	£17.28	£17.51	£17.53	£16.66
C	£17.62	£19.14	£19.20	£19.25	£18.34
D	£19.38	£21.04	£20.62	£20.70	£19.69
EFGH	£25.35	£27.96	£25.98	£26.08	£25.02
Tenure type					
Private tenant	£16.02	£17.41	£16.97	£17.03	£16.35
No HB	£17.58	£19.09	£19.61	£19.65	£18.12
Supported housing	£16.73	£18.10	£17.82	£17.87	£17.67
HA tenant	£17.29	£18.74	£18.61	£18.65	£17.93
Temporary accommodation	£17.43	£18.95	£18.10	£18.14	£17.30
Tenure Unknown	£15.32	£16.66	£18.83	£18.83	£17.01
Household type					
Single	£16.51	£17.93	£17.57	£17.59	£17.08
Lone Parent	£16.08	£17.45	£18.53	£18.54	£17.11
Couple no children	£21.84	£23.67	£21.70	£21.82	£21.46
Couple with children	£19.62	£21.23	£19.90	£20.06	£19.37

Continued overleaf

Economic status					
Employed	£11.82	£12.75	£13.51	£13.65	£13.21
Out-of-work benefits	£18.85	£20.41	£20.40	£20.40	£19.32
Self-employed	£16.54	£18.84	£14.90	£15.08	£15.06
Barriers to work					
DLA or Similar	£18.57	£19.96	£19.62	£19.76	£19.76
ESA or similar	£19.11	£20.60	£20.32	£20.36	£20.36
LP child under 5	£16.75	£18.05	£19.13	£19.13	£17.13
Carer	£21.22	£22.84	£22.85	£22.97	£22.02

Comparison of weekly support (£/week)

INTRODUCTION

Background and Objectives

This report presents an impact assessment of the current scheme, retention of the current scheme into 2021/22, and modelling of the three models in 2021/22.

In commissioning this report, the council has the following objectives;

- Maintain the maximum basis of award of 80% of liability and protect disabled households
- Simplify assessments and reassessments
- Maintain costs in line with the current scheme in 2021/22
- To understand the differential impact on specific groups based on gender, disability and age

The models that are under consideration are described below:

Model 1 is an income-banded model in which discounts are awarded based on household size and net monthly earnings. The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	**1-2 children**	**3+ children**	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%

Net monthly income is made up of net employment earnings only. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of lower-rate and higher-rate non-dependant deductions:
    - Lower non-dependant deductions of £5/week
    - Higher non-dep deductions of £10/week

Currently, Maidstone Borough Council uses the default income-banded non-dependant deductions. With the introduction of non-dependant deductions of £5/week some households that were previously exempt (notably those with non-dependant on out-of-work benefits) will be subject to a non-dependant deduction for the first time.

Model 2 is another income-banded scheme. It is the same as Model 1 except for an additional 5% uplift to the maximum award of households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of claimant or partner). The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	1-2 children	3+ children	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 2+				70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 3+				55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 4+				30%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%
Band 5+				15%

Note: bands suffixed with a '+' relate to households subject to the 5% uplift due to disability or illness (in receipt of DLA/PIP or ESA in respect of claimant or partner).

As with Model 1, under Model 2 net monthly income is made up of net employment earnings. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions:
  - Lower non-dependant deductions of £5/week
  - Higher non-dep deductions of £10/week
- A 5% uplift to maximum award for Bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of the claimant or partner).
  - For example, households in Band 2+ are households that fall into Band 2 (maximum award 65%) but receive an uplift of 5% (taking them up to 70%).

Model 3 is another income-banded scheme. It is the same as Model 2 except for in band 1, where there is a 10% reduction in support for the majority of passported households. A 10% uplift is introduced to maintain the maximum award of households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of claimant or partner). The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	1-2 children	3+ children	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	70%
Band 1+				80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 2+				70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 3+				55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 4+				30%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%
Band 5+				15%

As with Models 1 and 2, under Model 3 net monthly income is made up of net employment earnings. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions:
  - Lower non-dependant deductions of £5/week
  - Higher non-dep deductions of £10/week
- A 5% uplift to maximum award for Bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of the claimant or partner).
  - For example, households in Band 2+ are households that fall into Band 2 (maximum award 65%) but receive an uplift of 5% (taking them up to 70%).
- A 10% uplift to maximum award for Band 1 for households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of the claimant or partner).

METHODOLOGY & APPROACH

Modelling is at household level. Household data on current claimants has been supplied to Policy in Practice in the form of the CTS extract with personal data excluded. Policy in Practice converts this data to a format that can be used by their software, the Benefits and Budgeting Calculator (BBC). The calculation engine enables global changes in benefit formulations, and modelled changes to be applied to each household within the dataset. These are then summed up to arrive at the aggregate cost and Impacts of each scheme.

To enable comparison of modelled schemes against the current scheme in 2021/22, an agreed annual increase in council tax has been included. The rate of council tax increase used is 4% for both 2020/21 and 2021/22.

An agreed level of migration to Universal Credit is also included. Modelling will include an expected migration of 20% of claimants to Universal Credit by 2021/22. This migration level has been agreed with the council and is in line with the council's knowledge of migration rates for different types of household.

In light of the current economic climate and the impacts of Covid-19, Maidstone Borough Council is likely to see fluctuations in the CTS caseload over the following months. The analysis in this report is based on the caseload prior to the economic changes brought by Covid-19. We have also assumed that the current policy responses to Covid-19 will be removed by the year of future modelling (2021/22). Our uprating measures are in line with CPI against figures from 2019/20.

For each model, the following Impacts are shown:

- Social impact compares support to current levels in order to inform monetary loss and gain of support.
- Distributional impact provides a comparison to retention of the current scheme in the year that is being modelled. This informs an understanding of those groups that would gain or lose support if the model were to be adopted. This takes account of changes in the National Living Wage and personal tax allowances, Council Tax increases and Universal Credit migration.
- Households that will be worse off, considering particular groups of interest according to age, gender and disability. Maidstone Borough Council has asked Policy in Practice to consider the following working-age groups:

Group of interest	Comparison group
Aged 18-24 inclusive	Aged 25 and older
Aged 60-64 inclusive	Aged 59 and younger
Female lone parent households	Male lone parent households
Female single households	Male single households
Disabled (in receipt of DLA/PIP or ESA)	Non-disabled

CURRENT SCHEME

Currently, Maidstone Borough Council provides council tax support based on the default scheme, with maximum Council Tax Support set at 80%.

In 2019/20, 8,740 households received council tax support in Maidstone. Changes in council tax support will affect the 5,430 working-age households working-age. The 3,310 pension-age households will continue to be provided with maximum protection offered by the default council tax support scheme.

Cost of current scheme by age group			
Age group	**Number of households**	**CTR (£/annum)**	**CTR (£/week)**
All working age	5,430	£4,832,486	£17.11
Pension age	3,310	£3,826,568	£22.23
Total	***8,740***	***£8,659,054***	***£19.05***

Current council tax support cost and level of weekly support

The average council tax support for working-age households in 2019/20 was £17/week. Pension-age households receive a higher average award of £22/week.

Average Weekly CTR		
Age group	**Number of households**	**CTR (£/week)**
All working age	5,430	£17.11
UC households	*1,520*	*£16.54*
non-UC households	*3,910*	*£17.34*
Pension age	3,310	£22.23
Total	***8,740***	***£19.05***

Level of weekly support: UC and non-UC households

Working-age households in receipt of Universal Credit receive slightly lower weekly support (£16.54/week) than households in receipt of legacy benefits (£17.34/week). This is due to the higher retention of earned income under Universal Credit and removal of earnings disregards for these households under the current CTR scheme.

MAINTAINING CURRENT SCHEME INTO 2021/22

Maintaining the current scheme into 2021/22 would increase costs from £8.7M in 2019/20 to £ £9.4M in 2021/22. This is an increase in cost of £0.8M or 9.1%.

Annual CTS in current scheme retained into 2021/22, compared to current scheme			
Group	£/annum	Change (£/annum)	Change (%)
All working age	£5,242,015	£409,529	8.47%
Pension age	£4,200,305	£373,737	9.77%
Total	***£9,442,320***	***£783,266***	***9.05%***

Maintaining current system into 2021/22: Annual cost

Costs would increase by 8.5% for working-age households compared to 9.8% for pension-age households. The lower increase for working-age households is due to the planned increases in the national minimum wage and personal tax allowance, as well as the end to the benefits freeze, by 2021/22. These changes will increase earnings and so reduce council tax support awards for some working-age claimants. In addition, claimants receive low levels of council tax support as they migrate to Universal Credit, reflecting the higher retention of earned income and the removal of earnings disregards within the scheme.

Average weekly CTS awarded in current scheme retained into 2021/22, compared to current scheme			
Group	**Uprated current scheme (£/week)**	**Change (£/week)**	**Change (%)**
All working age	£18.57	£1.45	8.49%
UC	*£17.80*	*£0.98*	*5.81%*
Legacy benefits	*£19.13*	*£1.79*	*10.33%*
Pension age	£24.40	£2.17	9.77%
Total	***£20.78***	***£1.72***	***9.05%***

Maintaining current system into 2021/22: weekly support levels.

**Changes in Universal Credit average awards compares to the average awards of those who migrate prior to doing so. This means it is not a simple comparison between the Universal Credit claimants of 2019/20 to 2021/22, which would be influenced by demographic changes.*

Average weekly support for working-age households in 2021/22 is £1.45/week more than 2019/20 levels.

Households in receipt of legacy benefits see a 10.3% rise in support (£1.79/week). By comparison, households in receipt of Universal Credit see a 5.8% rise (£0.98/week). This difference is due to the higher retention of earnings under Universal Credit and the increase in Universal Credit caseload; households who migrate to Universal Credit have more of their award reduced by the taper rate than households in receipt of legacy benefits due to the removal of earnings disregards.

Social and political impacts of maintaining the current scheme into 2021/22

If the current scheme were maintained into 2021/22, working-age households would see a slight increase in support of 8.5%. This takes account of the expected council tax increase in 2020/21 and 2021/22 (4% each year; 8.2% over the two years) and so represents a small increase in average support. In general, a reduction in support is expected due to the increase in the minimum wage and personal tax allowances, which will increase earnings by 2021/22. In addition, as claimants move to Universal Credit, those with earnings retain more of their benefit award and so receive reduced council tax support.

Breaking down the Impacts of maintaining the current scheme into 2021/22, there are notable differences between groups.

Differences in impact by economic status

Working households would see an average increase in support of 9.4%. This overall increase is made up of a slight decrease (-1.2% or £0.58/week) for employed households in receipt of Universal Credit, compared to a larger increase for households in receipt of legacy benefits (19.0% or £2.18/week). This is due to the higher retention of earnings under Universal Credit and the removal of earnings disregards.

Self-employed households in receipt of Universal Credit is a small group made up of 71 households. These see an increase in support of 12.97% as they move over to Universal Credit. This is because income from Universal Credit is low due to the application of the Minimum Income Floor by DWP. As Maidstone does not apply the Minimum-Income Floor within their CTR scheme, the reduced DWP benefit leads to an increase in CTR. Self-employed households in receipt of legacy benefits also see an increase in support of 14.2%.

Households in receipt of out-of-work benefits, whether in receipt of legacy benefits or Universal Credit, see increases in support roughly in line with CT increases.

% Change in Council Tax Support - current scheme in 2021/22			
	Universal Credit	**Legacy benefits**	**Average - all employed**
All working			9.39%
Employed	-1.21%	18.95%	
Self-employed	12.97%	14.16%	
Out of work	7.90%	8.47%	

Percentage change in council tax support from current to 2021/22, by economic status

Differences by household composition

Households in employment see the greatest loss of support as they move to Universal Credit. Households with children are more likely to be in-work than households without children. Therefore, couples with children in receipt of Universal Credit see the smallest average increase in support of (1.9%,). For many of these households, their relatively low CTS award will be offset by higher income from Universal Credit.

% Change in Council Tax Support - current scheme in 2021/22			
	Universal Credit	**Legacy benefits**	**Average - all employed**
All Working Age			*8.49%*
Single	*7.62%*	*9.15%*	
Lone parent	*5.33%*	*11.19%*	
Couple no children	*7.44%*	*8.76%*	
Couple with children	*1.86%*	*12.55%*	

Percentage change in council tax support from current to 2021/22, by household type

Differences in impact by disability status

By 2021/22, most households in which a person is classed as too ill to work and to prepare for work will, on average, see a slight increase to their current level of support. However, this increase is generally below the 8.2% increase to council tax over the same period. The change in support varies across groups, with households in work and in receipt of PIP/DLA seeing decreased support (-3.3%). This is because under the current UC scheme, these households will not have any disability premiums included in their assessment for council tax support. They will also retain more income from work under Universal Credit, and so have more income tapered away during the CTS calculation.

The average change for all working-age households in receipt of Universal Credit in which a person is too ill to work, or is in receipt of disability benefit, will be an increase of 5.86%. This is below the working-age average (8.47%). It should also be noted that since January 2019, no households in receipt of a severe disability premium within their legacy benefits has been able to make a claim for Universal Credit until transitional protection is available and will remain in receipt of legacy benefits, so that the Council is unlikely to see very many of these cases.

% Change in Council Tax Support - current scheme in 2021/22, households receiving UC	
All disabled working-age	*5.86%*
Out of work: DLA and ESA	*7.92%*
Out of work: ESA only	*8.39%*
Working: DLA only	*-3.29%*

Percentage change in council tax support from current to 2021/22, by disability status

MODEL 1: INCOME-BANDED

Model 1 is an income-banded model in which discounts are awarded based on household income.

The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	1-2 children	3+ children	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%

Net monthly earnings are made up of net employment earnings using the minimum income floor for legacy and UC households that are self-employed. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions (these are deducted from CT liability):
  - Lower non-dependant deductions of £5/week
  - Higher non-dep deductions of £10/week

Model 1: cost

Annual Cost

	Model 1 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£5,226,788	£394,302	8.16%	-£15,228	-0.29%
UC	£2,225,636	£918,402	70.26%	£106,967	5.05%
Legacy benefits	£3,001,152	-£524,100	-14.87%	-£122,194	-3.91%
Pension age	£4,200,305	£373,737	9.77%	£0	0.00%
Total	***£9,427,092***	***£768,039***	***8.87%***	***-£15,228***	***-0.16%***

Model 1: Total cost of model (£/annum)

This model would cost £9.4M per annum. This is £0.77M more than costs in 2019/20 and similar to the current scheme retained into 2021/22.

Weekly council tax support

Average weekly support for working-age households under this model is £18.51/week. This is the same as if the current scheme were retained into 2021/22.

Households in receipt of Universal Credit see an increase of £0.90/week on average compared to current levels of support. In contrast, households in receipt of legacy benefits would see their level of support decrease by £0.75/week on average. This redistribution brings average support for households in receipt of Universal Credit (£18.70/week) above that of households in receipt of legacy benefits (£18.38/week).

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£18.51	£1.40	8.18%	-£0.05	-0.29%
UC	*£18.70*	£1.88	11.15%	£0.90	5.05%
Legacy benefits	*£18.38*	£1.04	6.01%	-£0.75	-3.91%
Pension age	*£24.41*	£2.17	9.73%	£0.00	0.00%
Total	***£20.74***	***£1.69***	***8.87%***	***-£0.03***	***-0.16%***

Model 1: Average weekly council tax support £/week

Impact analysis

Claim numbers

Band	Household type								Maximum Award
	No children		1-2 children		3+ children		All		
	Count	%*	Count	%*	Count	%*	Count	%*	
Band 1	2,203	*84%*	1,464	*70%*	433	*6%*	4,100	76.2%	80%
Band 2	96	*4%*	120	*6%*	54	*0%*	270	5.0%	65%
Band 3	183	*7%*	336	*16%*	142	*2%*	661	12.3%	50%
Band 4	92	*4%*	130	*6%*	46	*1%*	268	5.0%	25%
Band 5	34	*1%*	27	*1%*	19	*0%*	80	1.5%	10%

Model 1: Number and percentage of households in each income band.

** All percentages are expressed relative to total working-age cohort.*

76% of households eligible for support under Model 1 are in receipt of out-of-work benefits. These households receive support based on 80% of their CT liability. Only 2% have non-benefit income below the specified thresholds (£316/week, £387/week or £441/week depending on the number of children present in the household) and receive support based on 65% of their CT liability.

Only 6% of households fall into the lowest two bands which receive support based on 25% or 10% of their CT liability.

Under this model, 25 households are no longer eligible for support. This is 1% of the current working-age caseload. These households no longer qualify for support due to their non-benefit income being higher than the upper earnings threshold (£1263.99/week, £1550.99/week or £1766.99/week depending on the number of children present in the household).

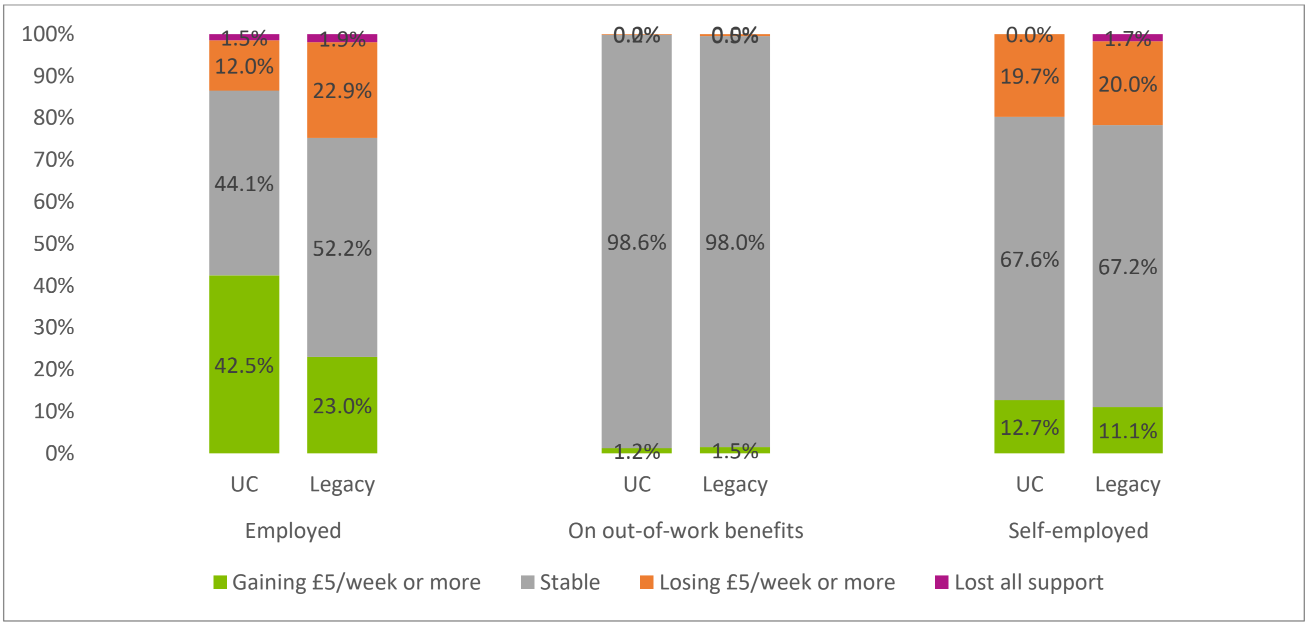
Characteristics of households gaining and losing more than £5/week

286 households see support reduce by more than £5/week compared to current awards. This is 5.3% of the working-age caseload. At the same time, 505 households see support increase by more than £5/week. This is 9.3% of the current working-age caseload.

This model generally redistributes support from households in receipt of legacy benefits to households in receipt of Universal Credit. Therefore, employed households in receipt of legacy benefits are more likely to lose support than similar households in receipt of Universal Credit. Legacy self-employed households that lose tend to lose slightly more than their employed counterparts but it is important to note that the self-employed group is comparatively small. Legacy employed households tend to lose more than their self-employed counterparts. These households are more likely to be placed in bands 4 and 5 while legacy employed households tend to be placed in bands 1-3.

Some employed and self-employed households also gain more than £5/week. These tend to be higher earning households, for whom the discount provided by this model (the lowest being 10%) will be higher than the award based on tapering away support as income increases, as happens under the current scheme.

Households in receipt of out-of-work benefits see little change because these households all fall into the first band and receive support based on 80% of their CT liability. For many of these, their award under Model 1 will be similar to the current scheme in 2021/22 (where their award is based on 80% of their CT liability). The minority of households on out-of-work benefits that lose support do so as a result of having increased non-dependant deductions.

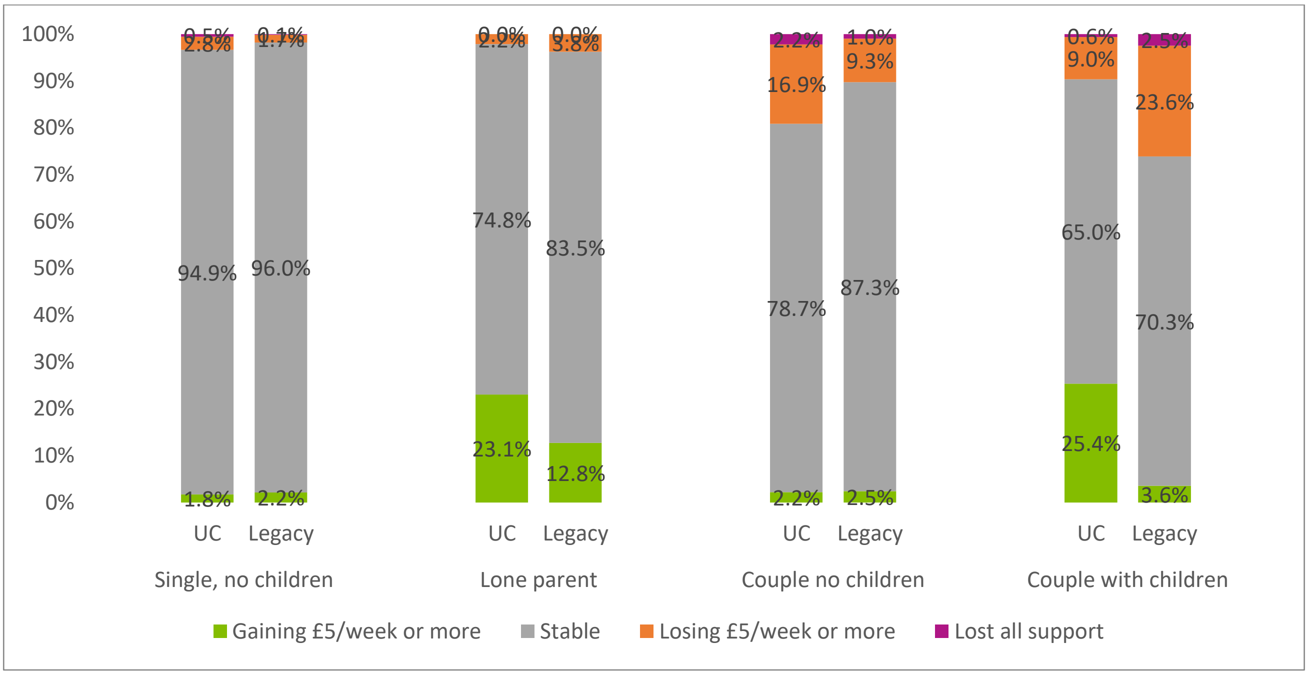


Model 1: households losing and gaining more than £5/week by economic status

Larger households are most likely to lose more than £5/week. This is due to a couple of reasons. Firstly, households with children are more likely to be in work; secondly, the removal of a 'needs' element from assessment when moving from the current scheme to an income-banded scheme will affect larger households to a greater extent – in particular, couple households without children.

For the same reason, lone parents in general, and especially lone parents in receipt of Universal Credit, are likely to gain support by more the £5/week. This is because the presence of children means their applicable earnings threshold will be higher than if they were single or a couple without children. Lone parents are also the least likely to be affected by the lower non-dependant deductions of £5/week.

Couples with children are the most likely to lose more than £5/week due to their greater likelihood of having higher levels of earned income. This means they are more likely to be concentrated in the bands with lower levels of support. Differences between legacy and Universal Credit are discussed in the next section.



Model 1: households losing and gaining more than £5/week, by household composition

Distributional impact

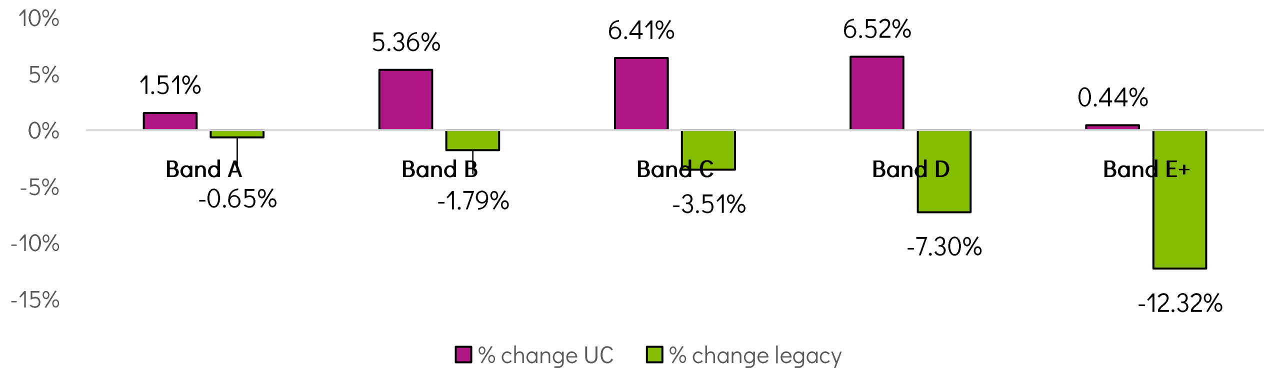
This section examines the groups that would be better or worse off **compared to retaining the current system into 2021/22**.

Council tax band

There are no significant trends across CT bands and households see small changes to weekly support on average. Universal Credit households see increases that range between 1.5% and 6.5% while those in receipt of legacy benefits see a maximum decrease of 12.3%.

The main effect that can be seen across CT bands is the difference between households in receipt of legacy benefits and households in receipt of Universal Credit. This is due to the comparison with retention of the current scheme into 2021/22. By 2021/22, households in receipt of Universal Credit have lower levels of support than households in receipt of legacy benefits if the current scheme were to be retained. This is due to the higher retention of earnings under Universal Credit.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by council tax band

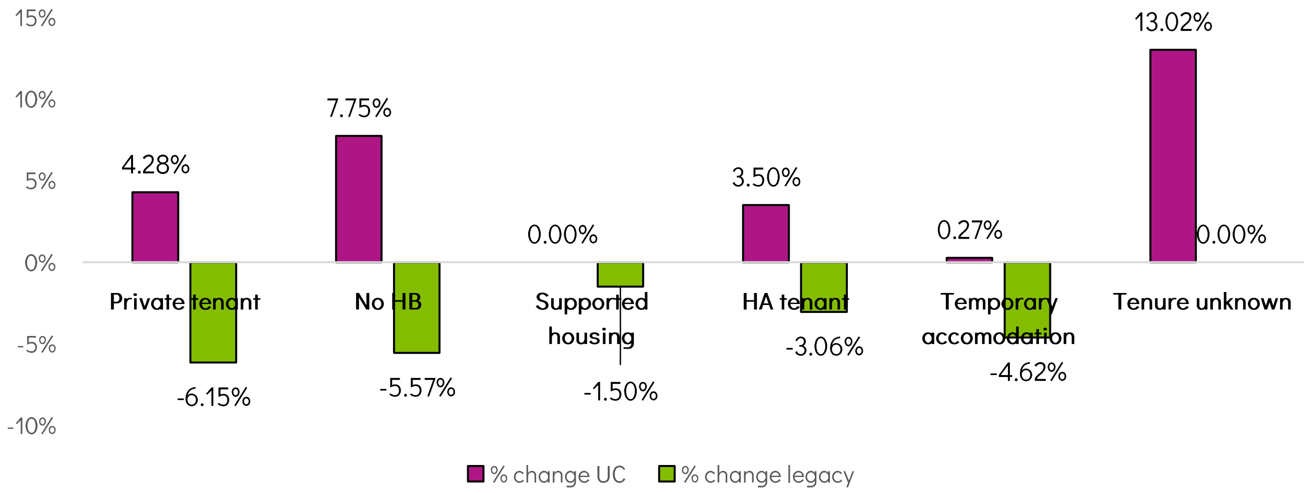


Model 1: Percentage change in support compared to retention of the current scheme into 2021/22, by CT band.

Tenure

As with CT bands, there are no significant trends across tenure types. Households in receipt of Universal Credit see an increase in support of up to 4% among private tenants and up to 13% for those where tenure is unknown. Households in receipt of legacy benefits generally see decreases in support.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by tenure type



Model 1: Percentage change in support compared to retention of the current scheme into 202/22, by tenure.

Household composition

The greatest distributional impact is among households with children. Lone parents in receipt of Universal Credit see the largest average increase in support across groups, of

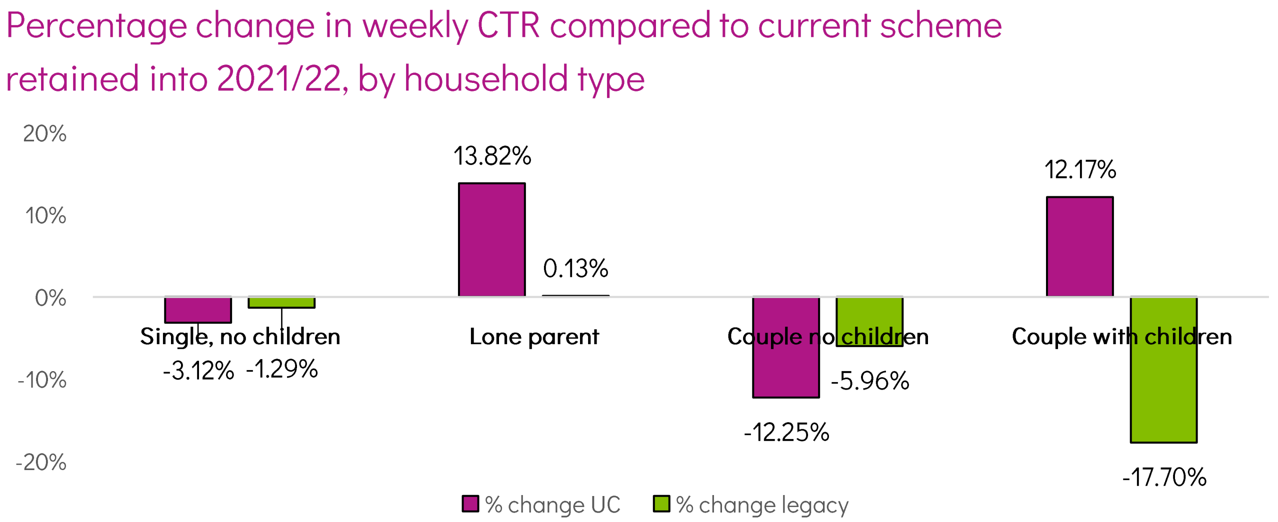
13.8%. Couples with children in receipt of Universal Credit also see increases in support, of 12.2%.

In contrast, couples with children in receipt of legacy benefits see the largest average decrease of 17.7%. This reflects the group's higher earnings (thereby exhibiting the distributional effect from legacy benefits to Universal Credit mentioned earlier in this report). This model therefore supports families as they move to Universal Credit and redistributes support back to those that would lose out if the current scheme were retained into 2021/22.

Couples without children see a reduction ranging from 12.3% (Universal Credit) to 6.0% (legacy benefits). This is due to the definition of household size under Model 1, which protects some households with children by increasing the earnings thresholds according to the number of children. This means that a couple without children where both members receive employment earnings will be more likely to fall in the higher bands, compared to a similar household with children.

Support among single adult households is similar to under the current scheme retained into 2021/22.

Across all demographic groups, the impact among legacy households is a reduction. This is due to earnings disregards for in-work households under the current scheme which no longer apply under Model 1. Couples with children see the greatest reduction in support. This is due to their higher average earnings which are no longer balanced by higher premiums, as under the current scheme.



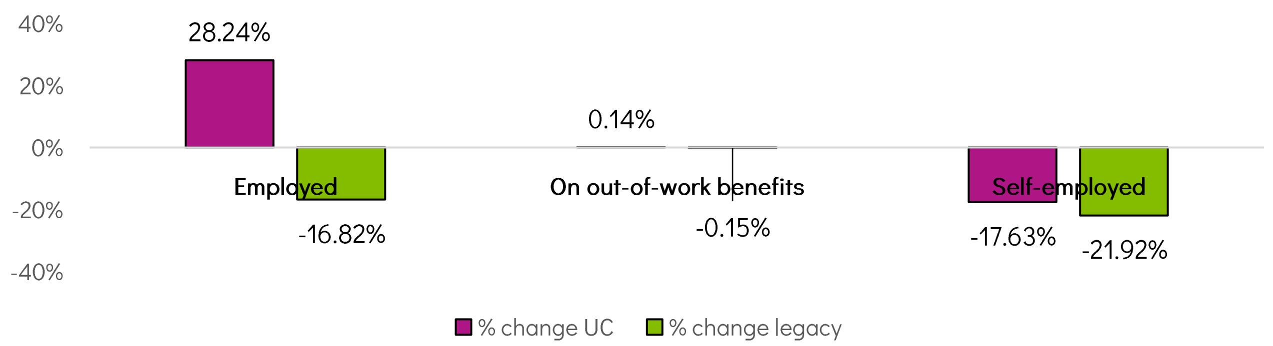
Model 1: Percentage change in support compared to retention of the current scheme into 2021/22, by household composition.

Economic status

The largest differences in support is seen across groups by economic status. Compared to retaining the current scheme into 2021/22, employed households in receipt of Universal Credit see an increase of 28.2%. This is because these households lose support if the current scheme is retained. In comparison, employed households in receipt of legacy benefits see a reduction in support of 16.8%. This model therefore redistributes support from working households in receipt of legacy benefits to those in receipt of Universal Credit.

Out-of-work households do not see a change to their level of support, on average. This is because their support is based on 80% of their CT liability and is changed only when there are non-dependants present in the household.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by economic status

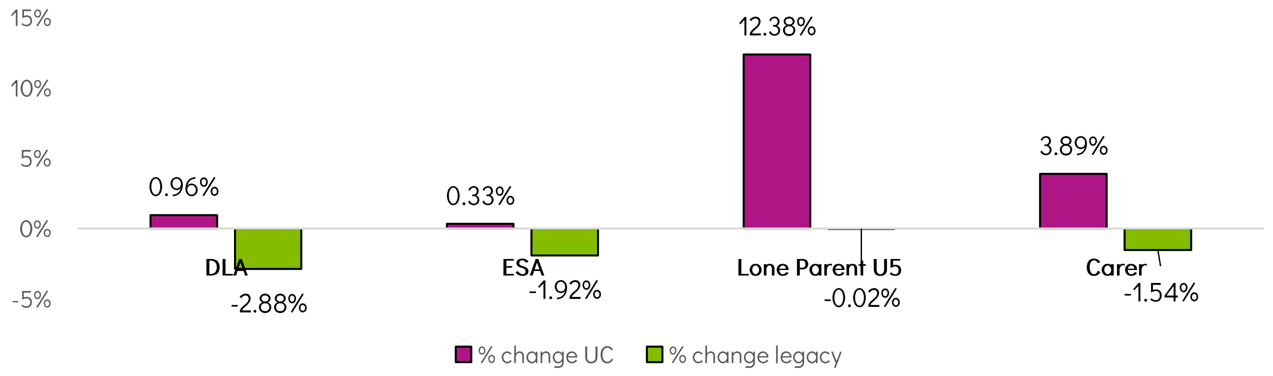


Model 1: Percentage change in support compared to retention of the current scheme into 2021/22, by economic status.

Barriers to work

Lone parents in receipt of Universal Credit will see the most substantial increase, while other groups with barriers to work will see smaller changes, compared to the current scheme in 2021/22. This is due to reasons mentioned earlier: 93% of lone parent households are placed in the more generous bands (1, 2 and 3) and the majority are not subject to the lower-rate non-dependant deductions. For households in receipt of Universal Credit, who receive lower support under the current scheme than their legacy claiming counterparts, this represents a significant increase in support. Households in receipt of legacy benefits and disability benefits (DLA or ESA) see small decreases in support of up to 2.58% compared to the current scheme in 2021/22. This is due to the effect of earnings disregards under the current scheme for disabled households on legacy benefits that are in work.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by barriers to work



Model 1: Percentage change in support compared to retention of the current scheme into 2021/22, by household types with barriers to work

Households that are worse off: age, gender and disability

This section examines the groups that would be worse off **compared to retaining the current system into 2021/22**. Specifically it considers whether particular groups of interest will be over-represented among those that are worse off or those that lose all support.

<u>Households that lose all support</u>

Of the 25 households that lose all support:

- 8 are disabled households
- 4 are female single households
- 1 is a household in which the main claimant is aged between 60-65 inclusive

These households lose their support due to falling outside of their applicable earnings threshold.

Model 2: Income-Banded

Model 2 is an income-banded model in which discounts are awarded based on household income, with an uplift for households in receipt of disability or illness benefits.

The bands are as follows:

<table>
<tr><th rowspan="2">Band</th><th colspan="3">Household size and earnings threshold</th><th rowspan="2">Maximum Award</th></tr>
<tr><th>No children</th><th>1-2 children</th><th>3+ children</th></tr>
<tr><td>Band 1</td><td>Passported/ max UC</td><td>Passported/ max UC</td><td>Passported/ max UC</td><td>80%</td></tr>
<tr><td>Band 2</td><td rowspan="2">Less than £316</td><td rowspan="2">Less than £387</td><td rowspan="2">Less than £441</td><td>65%</td></tr>
<tr><td>Band 2+</td><td>70%</td></tr>
<tr><td>Band 3</td><td rowspan="2">£316-£631.99</td><td rowspan="2">£387-£774.99</td><td rowspan="2">£441-£882.99</td><td>50%</td></tr>
<tr><td>Band 3+</td><td>55%</td></tr>
<tr><td>Band 4</td><td rowspan="2">£632-£947.99</td><td rowspan="2">£775-£1162.99</td><td rowspan="2">£883-£1324.99</td><td>25%</td></tr>
<tr><td>Band 4+</td><td>30%</td></tr>
<tr><td>Band 5</td><td rowspan="2">£948-£1263.99</td><td rowspan="2">£1163-£1550.99</td><td rowspan="2">£1325-£1766.99</td><td>10%</td></tr>
<tr><td>Band 5+</td><td>15%</td></tr>
</table>

Note: bands suffixed with a '+' relate to households subject to the 5% uplift due to disability or illness (in receipt of DLA/PIP or ESA).

As with Model 1, under Model 2 net monthly income is made up of net employment earnings. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions:
    - Lower non-dependant deductions of £5/week
    - Higher non-dep deductions of £10/week
- A 5% uplift to maximum award for Bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA).
    - For example, households in Band 2+ are households that fall into Band 2 (maximum award 65%) but receive an uplift of 5% (taking them up to 70%).

Model 2: cost

Annual Cost

	Model 2 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£5,238,635	£406,149	8.40%	-£3,380	-0.06%
UC	£2,230,502	£923,268	70.63%	£111,833	5.28%
Legacy benefits	£3,008,133	-£517,119	-14.67%	-£115,213	-3.69%
Pension age	£4,200,305	£373,737	9.77%	£0	0.00%
Total	***£9,438,939***	***£779,886***	***9.01%***	***-£3,380***	***-0.04%***

Model 2: Total cost of model (£/annum)

This model will cost £9.4M per annum. This is £0.78M more than the current scheme in 2019/20, and very similar to if the current scheme were retained into 2021/22.

Weekly council tax support

Average weekly support for working-age households under this model is £18.56/week. This similar to Model 1 (£18.51).

Compared to the current scheme in 2021/22 there is an increase for Universal Credit of 5.28% and a decrease for legacy benefit of 3.69%. For both groups, this model is more generous than model 1, which distributes a 5.05% increase for Universal Credit claimants and a 3.91% reduction for those in receipt of legacy benefits.

As under Model 1, households in receipt of Universal Credit receive slightly higher support levels at £18.74/week compared to £18.42/week for households in receipt of legacy benefits.

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£18.56	£1.44	8.42%	-£0.01	-0.06%
UC	*£18.74*	£1.92	11.40%	£0.94	5.28%
Legacy benefits	*£18.42*	£1.09	6.26%	-£0.71	-3.69%
Pension age	*£24.41*	£2.17	9.73%	£0.00	0.00%
Total	***£20.77***	***£1.72***	***9.01%***	***-£0.01***	***-0.04%***

Model 2: Average weekly council tax support £/week

IMPACT ANALYSIS

Claim numbers

Band	Household type								Maximum Award
	No children		1-2 children		3+ children		Total		
	Count	%	Count	%	Count	%	Count	%	
Band 1	2,203	84%	1,464	70%	433	6.5%	**4,100**	**76.2%**	80%
Band 2	84	3.6%	103	0.5%	47	*0.3%*	**234**	**4.4%**	65%
Band 2+	*12*	*0.1%*	*17*	*0.1%*	*7*	*0.0%*	***36***	***0.1%***	*70%*
Band 3	153	6.5%	313	15%	135	*1.8%*	**601**	**11.2%**	50%
Band 3+	*30*	*0.6%*	*23*	*0.1%*	*7*	*0.2%*	***60***	***0.1%***	*55%*
Band 4	79	3.5%	113	0.5%	44	*1.1%*	**236**	**4.4%**	25%
Band 4+	*13*	*0.1%*	*17*	*0.1%*	*2*	*0.2%*	***32***	***0.1%***	*30%*
Band 5	27	1.2%	23	0.1%	15	*0.3%*	**65**	**0.1%**	10%
Band 5+	*7*	*0.3%*	*4*	*0.01%*	*4*	*0.0%*	***15***	***0.0%***	*15%*

Model 2: Number and percentage of households in each income band

The characteristics that sort households into bands are the same in Model 2 as in Model 1 except for a 5% uplift awarded to households in receipt of illness or disability benefits (DLA/PIP or ESA in respect of the claimant or partner). The uplift applies to bands 2-5.

As with Model 1, 78% of households are in receipt of out-of-work benefits. These households receive support equal to 80% of their liability. These households will receive the same support under Model 2 as under Model 1.

Only a total of 0.6% (335 households) of total working-age households fall into bands that are subject to the 5% uplift. These households receive more support under Model 2 compared to Model 1.

Like under Model 1, 25 households are no longer eligible for support. This is 0.5% of the current working-age caseload. These households no longer qualify for support due to their non-benefit income being higher than the upper threshold (£1263.99/week, £1550.99/week or £1766.99/week depending on the number of children present in the household). The majority of these households already receive low levels of support.

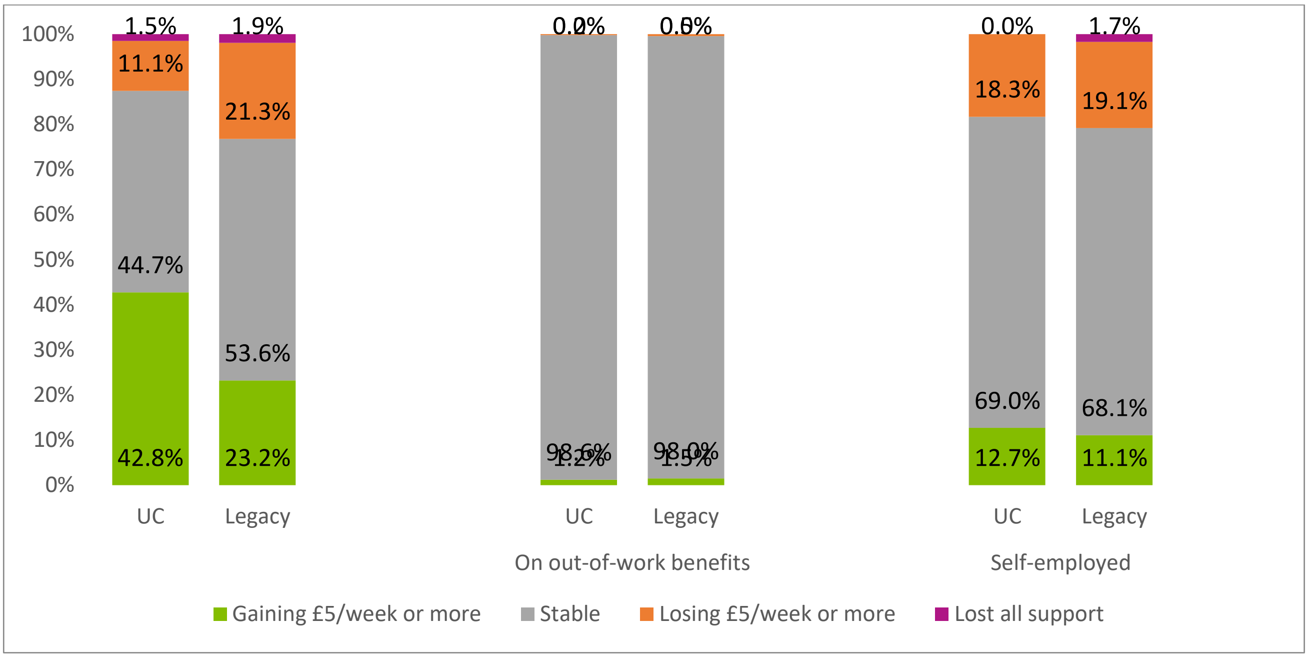
Characteristics of households losing and gaining more than £5/week

268 households see support reduce by more than £5/week compared to current awards. This is 4.9% of the working-age caseload, and is lower than the 286 households that lose more than £/week under Model 1. This is because households in receipt of disability or illness benefits that lose more than £5/week in support under Model 1 are protected by the 5% uplift under Model 2. A small number of disabled households continue to lose under Model 2 because they are placed in band 1 and do not receive a 5% uplift. This is due to the presence of two or more non-dependants resulting non-dependant deductions of £5/week.

508 households see support increase by more than £5/week compared to current awards. This is 9.4% of the working-age caseload, and is higher than the 505 households that gain more than £/week under Model 1. As with households that lose support, this is because of the effect of the 5% uplift.

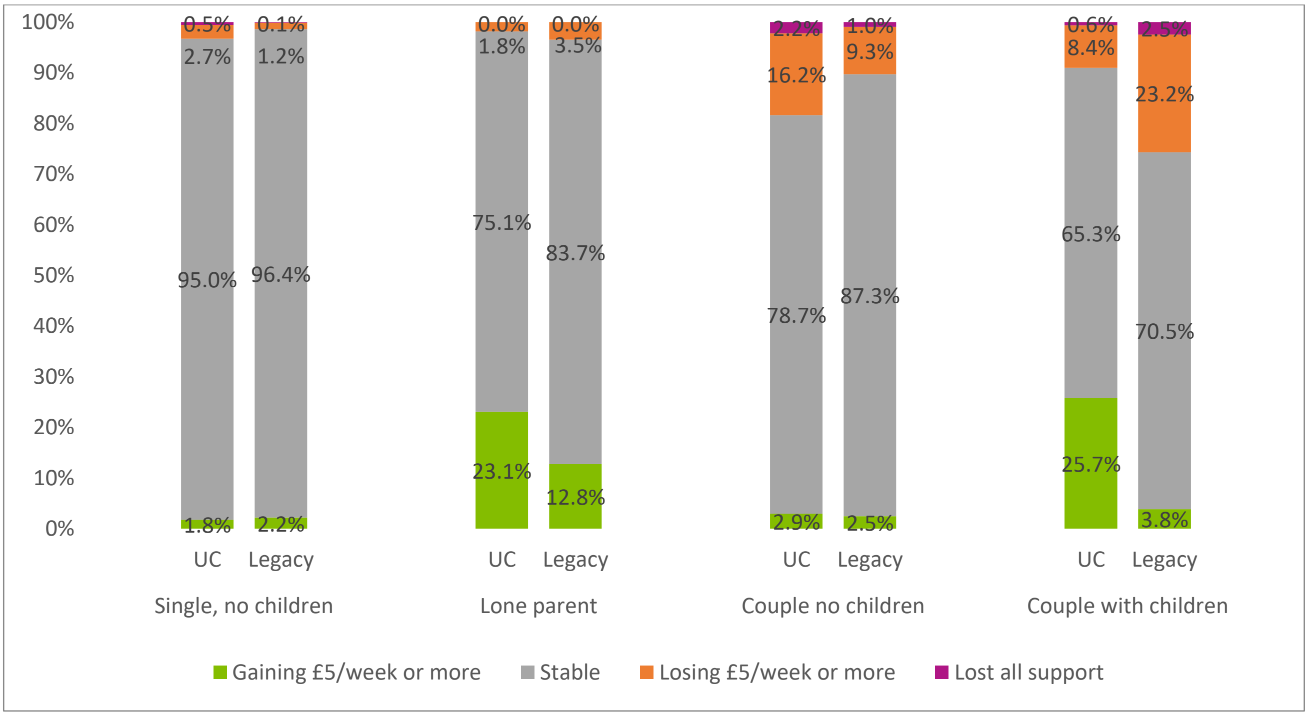
As this model awards maximum support in the same way as Model 1 except for the uplift, the effects across groups are similar to those seen under Model 1. However the distributional effect from legacy households to Universal Credit households is less pronounced than under Model 1.

As with Model 1, in-work households in receipt of legacy benefits are the most likely to see an increase of £5/week or more, while in-work households in receipt of legacy benefits are more likely to lose by £5/week or more. Model 2 continues to re-distribute support from households in receipt of legacy benefits to households in receipt of Universal Credit, but to a slightly lesser extent than Model 1. This is because households in receipt of disability benefits are more likely to be in receipt of legacy benefits and therefore receive the 5% uplift.



Model 2: households losing and gaining more than £5/week by economic status

Similarly, under Model 2 lone parents continue to be the group most likely to see an increase to support of £5/week or more while larger households are more likely to see a reduction of £5/week or more, especially couples with children in receipt of legacy benefits. As with Model 1 this is because these households are more likely to be in work compared to those without children and because of the removal of a 'needs' element from assessment.



Model 2: households losing and gaining more than £5/week, by household composition

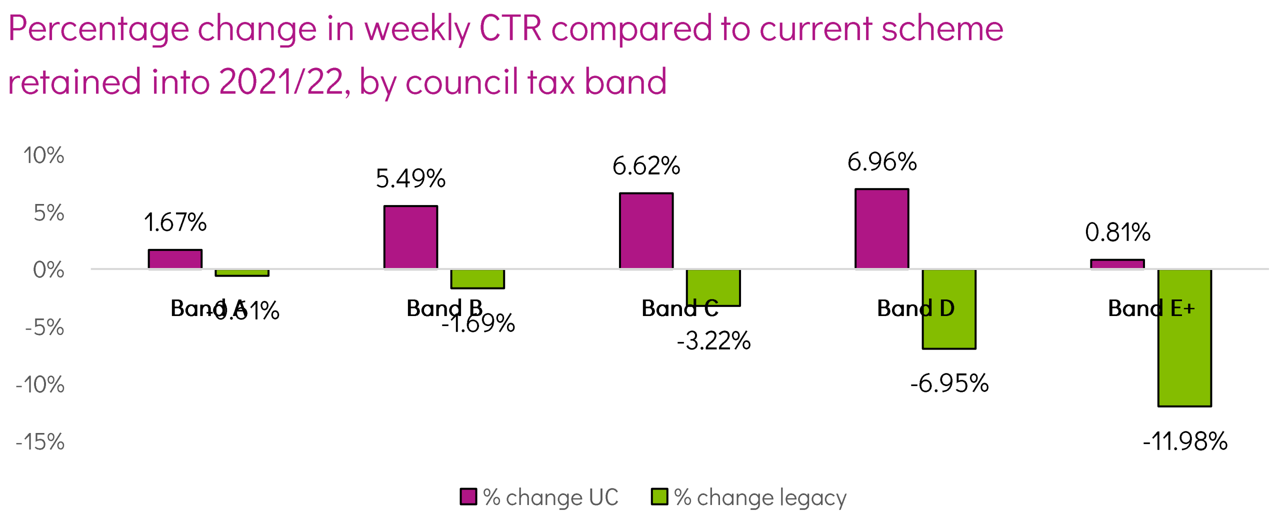
Distributional impact

This section examines the groups that would be better or worse off **compared to retaining the current system into 2021/22**.

Council tax band

As under Model 1, there is no distinct pattern across CT bands under Model 2. The main effect is that of a redistribution from households in receipt of legacy benefits to households on Universal Credit: the greatest distribution of support relates to Band D and range from an average increase of 7.0% among households on Universal Credit and 7.0% among households in receipt of legacy benefits.

As with Model 1, the difference in the pattern of change between households in receipt of legacy benefits and Universal Credit is due to comparison with the retention of the current scheme into 2021/22. By 2021/22 households in receipt of Universal Credit would expect to see lower support than those in receipt of legacy benefits. Therefore, in comparison, households in receipt of Universal Credit gain support under these income-banded models.

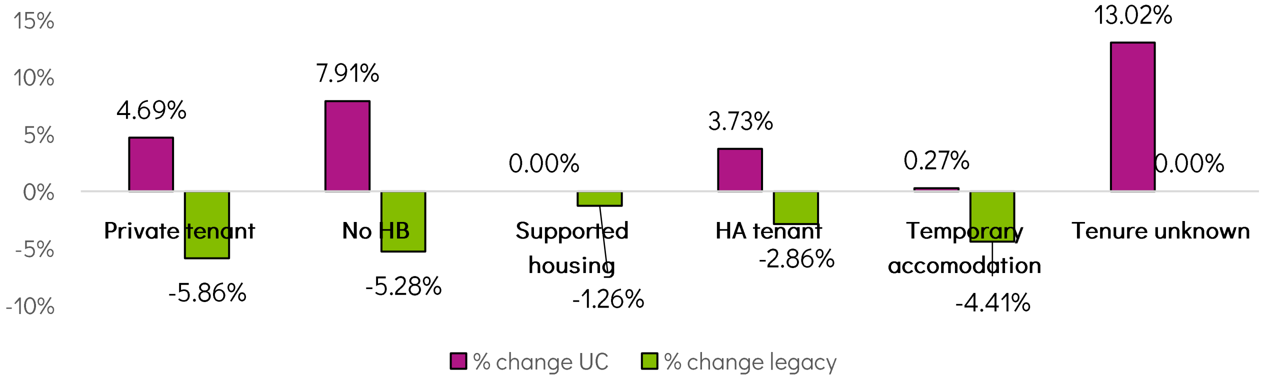


Model 2: Percentage change in support compared to retention of the current scheme into 2021/22, by CT band.

Tenure

Again, there is no discernible trend across tenure types. Households in receipt of Universal Credit see an increase in support of 4.7% among private tenants (slightly higher than the 4.3% increase seen in Model 1). Households in receipt of legacy benefits see a reduction in average awards across all tenures, as seen under Model 1.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by tenure type



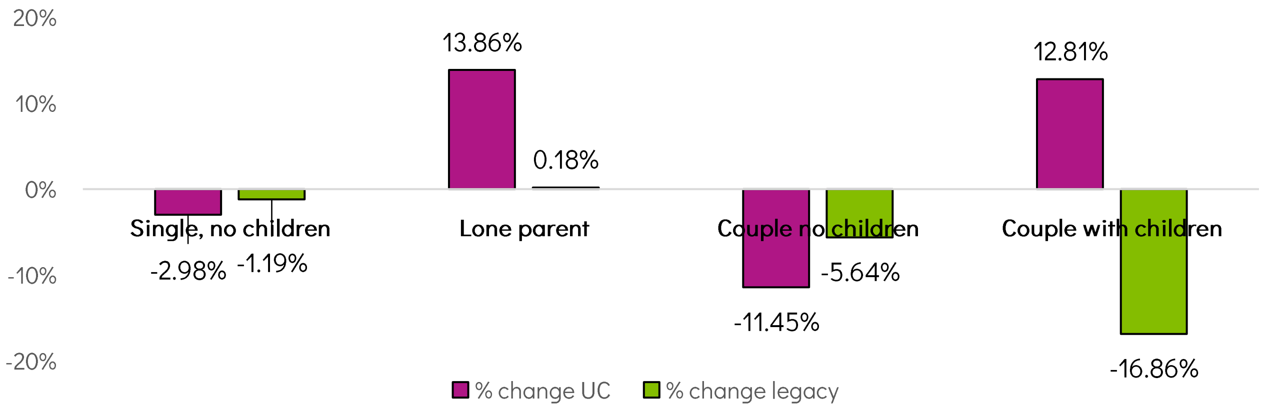
Model 2: Percentage change in support compared to retention of the current scheme into 2021/22, by tenure.

Household composition

As with Model 1, households with children see the greatest redistribution. Lone parents in receipt of Universal Credit see the largest average increase in support, of 13.86%. The increase in support for couples with children is also slightly greater than under Model 1 (12.81% compared to 12.17%), reflecting that some of these households now benefit from the 5% uplift. Again, couples with children in receipt of legacy benefits will on average see reductions in support similar to Model 1 (-16.86%, compared to -17.70%).

Although the general pattern of redistribution from legacy households to Universal Credit households remains, the reduction among households in receipt of legacy benefits is generally smaller.

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by household type

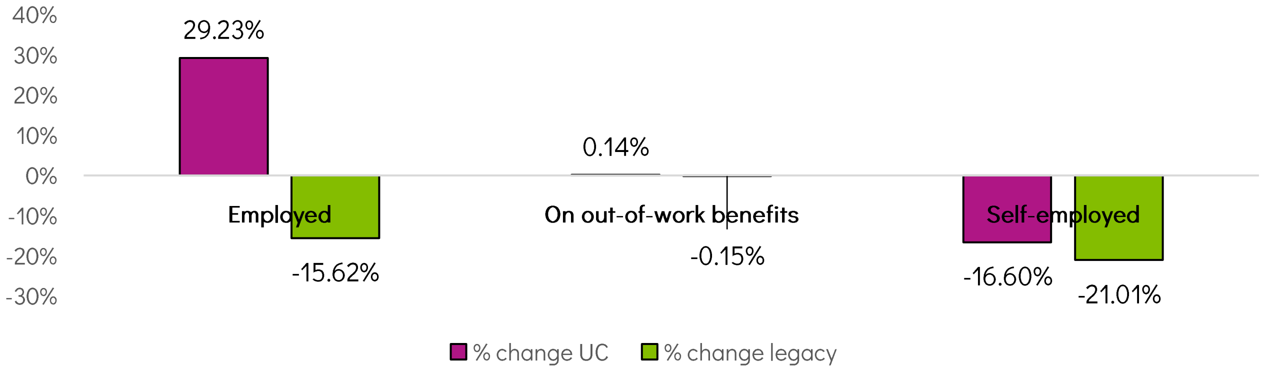


Model 2: Percentage change in support compared to retention of the current scheme into 2021/22, by household composition.

Economic status

Patterns among economic groups are in the same direction as Model 1 but they tend to be slightly more positive; there are smaller reductions among self-employed households and a larger average increase among employed households in receipt of Universal Credit (29.23% compared to 28.24%). Average reduction reaches 21.01% among self-employed households in receipt of Universal Credit, compared to 21.92% under Model 1.

Percentage change in weekly CTR compared to current scheme retained into 2020/21, by economic status

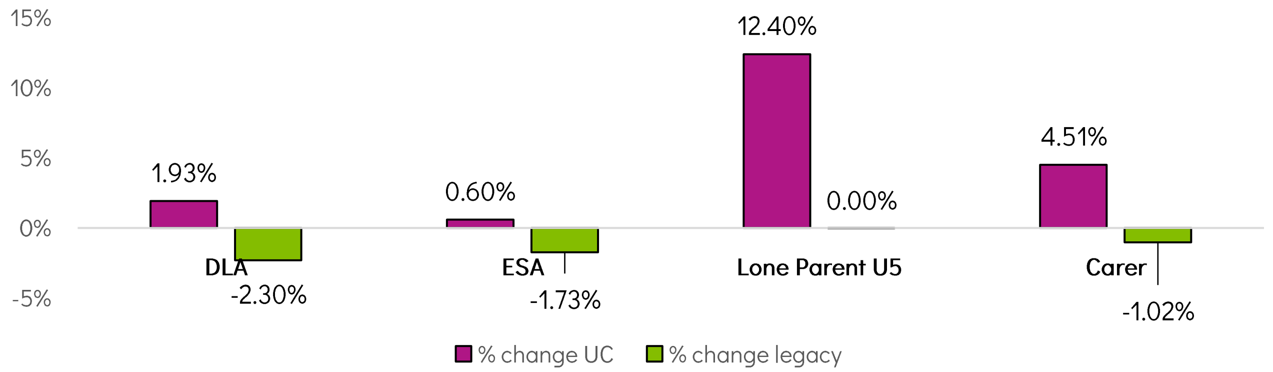


Model 2: Percentage change in support compared to retention of the current scheme into 2021/22, by economic status.

Barriers to work

Redistribution among households with barriers to work is similar to Model 1, but with more positive change. Lone parents with children under 5 that are in receipt of Universal Credit remain the group that see support increase by the largest proportion (the same as under Model 1).

Percentage change in weekly CTR compared to current scheme retained into 2021/22, by barriers to work



Model 2: Percentage change in support compared to retention of the current scheme into 2021/22, by household types with barriers to work

Households that are worse off: age, gender and disability

This section examines the groups that would be worse off **compared to retaining the current system into 2021/22**. Specifically, it considers whether particular groups of interest will be over-represented among those that are worse off or those that lose all support.

<u>Households that lose all support</u>

Of the 25 households that lose all support:

- 8 are disabled households
- 4 are female single households
- 1 is a household in which the main claimant is aged between 60-65 inclusive

These households lose their support due to falling outside of their applicable earnings threshold.

MODEL 3: INCOME-BANDED

Model 3 is an income-banded model in which discounts are awarded based on household income, with an uplift for households in receipt of disability or illness benefits.

The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	**1-2 children**	**3+ children**	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	70%
Band 1+				80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 2+				70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 3+				55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 4+				30%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%
Band 5+				15%

Note: bands suffixed with a '+' relate to households subject to the 5%-10% uplift due to disability or illness (in receipt of DLA/PIP or ESA).

As with Model 1 and 2, under Model 3 net monthly income is made up of net employment earnings. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions:
    - Lower non-dependant deductions of £5/week
    - Higher non-dep deductions of £10/week
- A 5-10% uplift to maximum award for Bands 1-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA).
    - For example, households in Band 2+ are households that fall into Band 2 (maximum award 65%) but receive an uplift of 5% (taking them up to 70%).

Model 3: cost

Annual Cost

	Model 3 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£4,992,482	£159,997	3.31%	-£249,533	-4.76%
UC	£2,079,350	£772,116	59.06%	-£39,320	-1.86%
Legacy benefits	£2,913,132	-£612,119	-17.36%	-£210,214	-6.73%
Pension age	£4,200,305	£373,737	9.77%	£0	0.00%
Total	***£9,192,787***	***£533,733***	***6.16%***	***-£249,533***	***-2.64%***

Model 3: Total cost of model (£/annum)

This model will cost £9.2M per annum. This is £0.5M more than the current scheme in 2019/20, and £0.25M less than if the current scheme were retained into 2021/22.

Weekly council tax support

Average weekly support for working-age households under this model is £17.68/week. This is lower than under Model 1 (£18.51) and Model 2 (£18.57).

Compared to the current scheme in 2021/22 there is a decrease for Universal Credit of 1.86% and for legacy benefit of 6.73%. For both groups, this model is less generous than Models 1 and 2.

Unlike under Models 1 and 2, households in receipt of Universal Credit receive slightly lower support levels at £17.47/week compared to £17.84/week for households in receipt of legacy benefits.

Weekly council tax support

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£17.68	£0.57	3.33%	-£0.88	-4.76%
UC	*£17.47*	£0.65	3.85%	-£0.33	-1.86%
Legacy benefits	*£17.84*	£0.50	2.90%	-£1.29	-6.73%
Pension age	*£24.41*	£2.17	9.73%	£0.00	0.00%
Total	***£20.23***	***£1.17***	***6.16%***	***-£0.55***	***-2.64%***

Model 3: Average weekly council tax support £/week

Impact analysis

Claim numbers

Band	Household type								Maximum Award
	No children		1-2 children		3+ children		Total		
	Count	%	Count	%	Count	%	Count	%	
Band 1	537	20.6%	1,041	50.1%	285	*41.1%*	**1,864**	**34.6%**	70%
Band 1+	1,664	63.9%	423	20.4%	148	*21.3%*	**2,236**	**41.6%**	80%
Band 2	84	3.6%	103	0.5%	47	*0.3%*	**234**	**4.4%**	65%
Band 2+	*12*	*0.1%*	*17*	*0.1%*	*7*	*0.0%*	***36***	***0.1%***	*70%*
Band 3	153	6.5%	313	15%	135	*1.8%*	**601**	**11.2%**	50%
Band 3+	*30*	*0.6%*	*23*	*0.1%*	*7*	*0.2%*	***60***	***0.1%***	*55%*
Band 4	79	3.5%	113	0.5%	44	*1.1%*	**236**	**4%**	25%
Band 4+	*13*	*0.1%*	*17*	*0.1%*	*2*	*0.2%*	***32***	***0.1%***	*30%*
Band 5	27	1.2%	23	0.1%	15	*0.3%*	**65**	**0.1%**	10%
Band 5+	*7*	*0.3%*	*4*	*0.01%*	*4*	*0.0%*	***15***	***0.0%***	*15%*

Model 3: Number and percentage of households in each income band, by household type

The characteristics that sort households into bands are the same in Model 3 as in Model 2 except for a change in band 1. There is a reduction in support for most households in band 1 from 80% to 70% but households in receipt of illness or disability benefits (DLA/PIP or ESA in respect of the claimant or partner) maintain support at 80%.

As with Models 1 and 2, 78% of households are in receipt of out-of-work benefits. These households receive support equal to 70% of their liability if they do not receive disability or illness benefits, which is 10% less than under Models 1 and 2.

0.6% (335 households) of total working-age households fall into bands 2-5, which are subject to a 5% uplift. These households receive the same support under Model 3 as under Model 2, which is higher than under Model 1.

Like under Models 1 and 2, 25 households are no longer eligible for support. This is 0.5% of the current working-age caseload. These households no longer qualify for support due to their non-benefit income being higher than the upper threshold (£1263.99/week, £1550.99/week or £1766.99/week depending on the number of children present in the household). Most of these households already receive low levels of support.

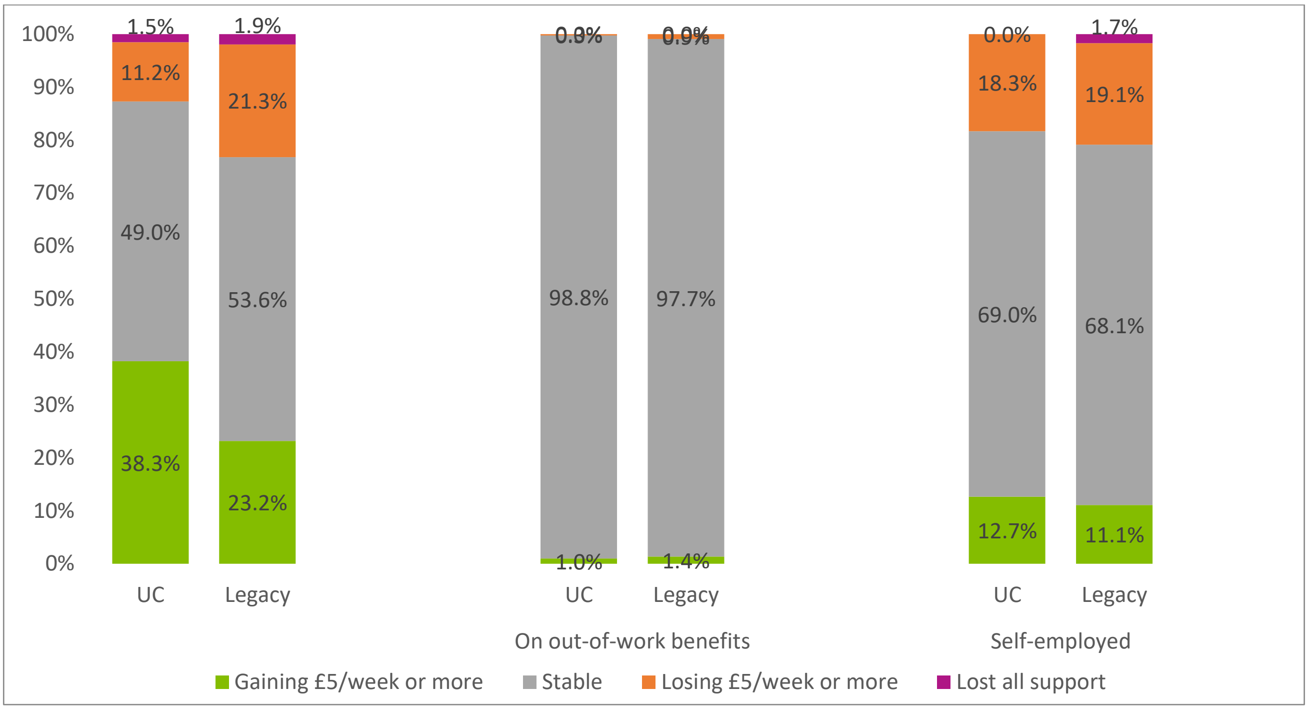
Characteristics of households losing and gaining more than £5/week

281 households see support reduce by more than £5/week compared to current awards. This is 5.2% of the working-age caseload. It is similar to the 286 households that lose more than £/week under Model 1 but slightly higher than the 268 under Model 2. This is because households in receipt of disability or illness benefits that lose more than £5/week in support under Model 1 are protected by the 5% uplift under Model 2 and 3. However, non-protected households in band 1 lose support at a higher rate under Model 3 than the previous models.

471 households see support increase by more than £5/week compared to current awards. This is 8.7% of the working-age caseload, and is lower than under Model 1 and 2.

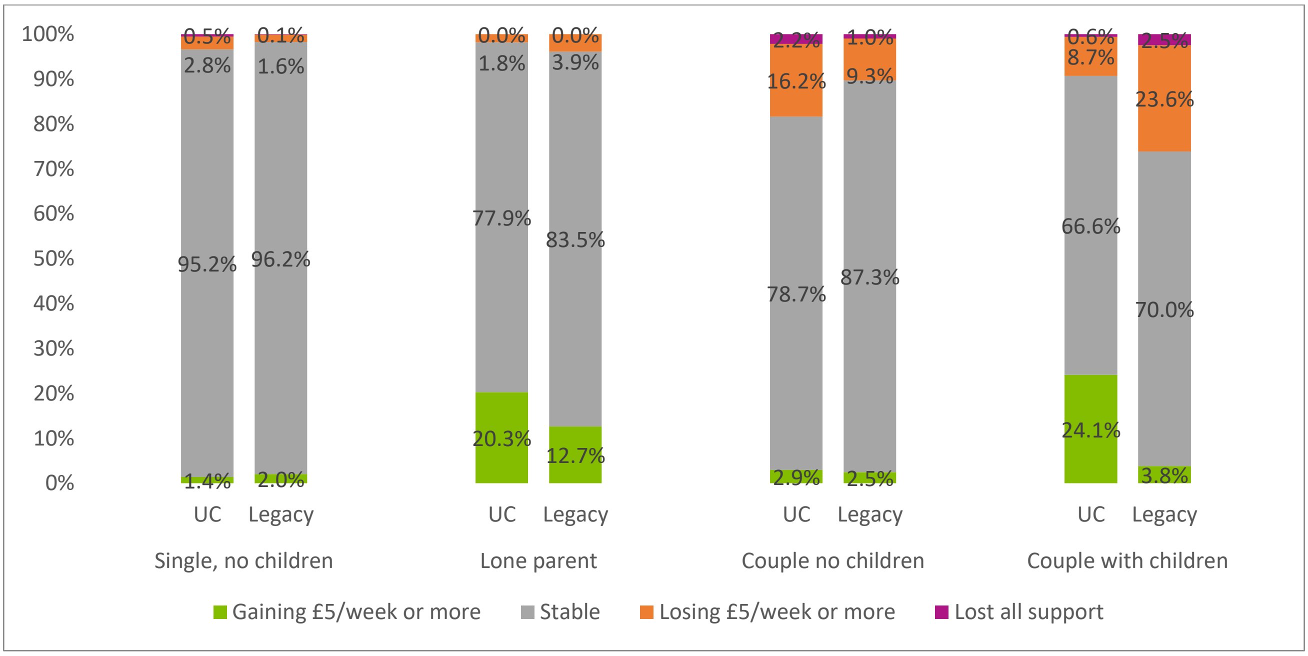
As this model awards maximum support in the same way as Model 2 except for under band 1, the effects across groups are similar. The distributional effect from legacy households to Universal Credit households is less pronounced than under Model 1.

As with Model 1 and 2, in-work households in receipt of Universal Credit are the most likely to see an increase of £5/week or more, while in-work households in receipt of legacy benefits are more likely to lose by £5/week or more.



Model 3: households losing and gaining more than £5/week by economic status

Similarly, under Model 3 lone parents continue to be the group most likely to see an increase in support of £5/week or more while couples are more likely to see a reduction of £5/week or more, especially couples with children in receipt of legacy benefits. As with Model 1 this is because these households are more likely to be in work compared to those without children and because of the removal of a 'needs' element from assessment.



Model 3: households losing and gaining more than £5/week, by household composition

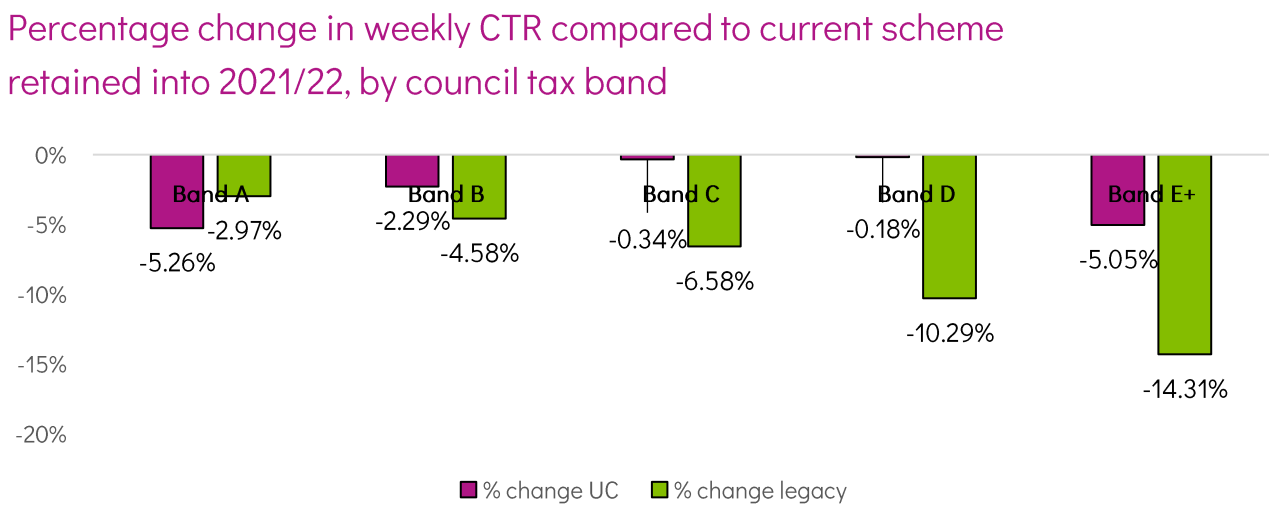
Distributional impact

This section examines the groups that would be better or worse off **compared to retaining the current system into 2021/22**.

Council tax band

Among households in receipt of legacy benefits, there is a clear pattern of reduced support which deepens as council tax band increases. There is no discernible pattern among Universal Credit claimants, though those in the highest bands (E+) are among the most impacted. There is a clear overall pattern that Universal Credit claimants lose less support than those in receipt of legacy benefits.

As with Models 1 and 2, the difference in the pattern of change between households in receipt of legacy benefits and Universal Credit is due to comparison with the retention of the current scheme into 2021/22. By 2021/22 households in receipt of Universal Credit would expect to see lower support than those in receipt of legacy benefits. Therefore, in comparison, households in receipt of Universal Credit see a lower reduction in support under this income-banded model.

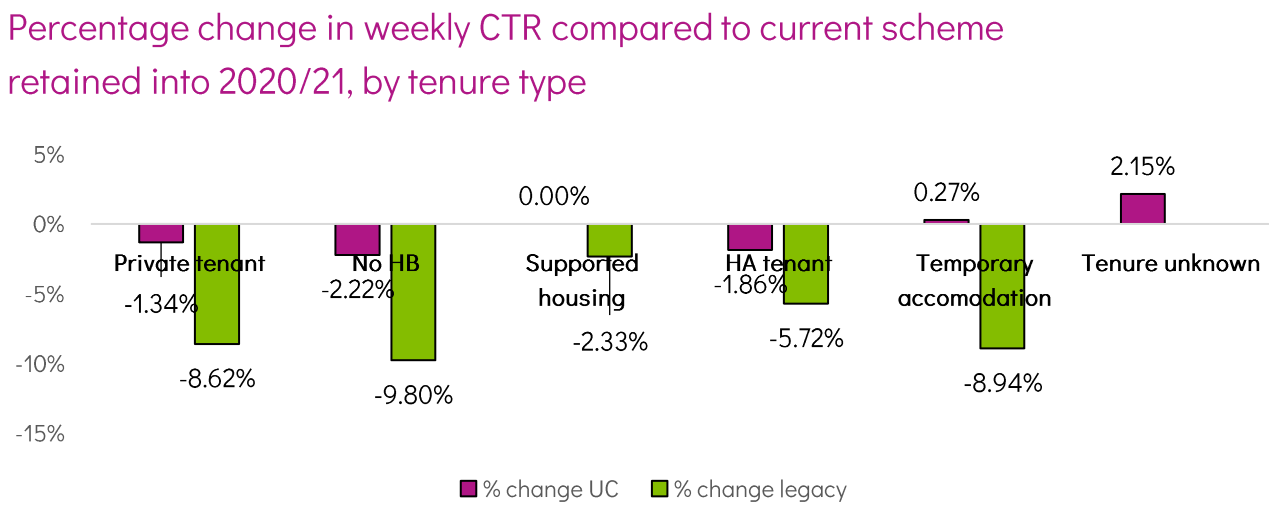


Model 3: Percentage change in support compared to retention of the current scheme into 2021/22, by CT band.

Tenure

As in Models 1 and 2, there is no discernible trend across tenure types. However, under this model Universal Credit claimants for whom tenure is unknown are the only tenure group to gain support.

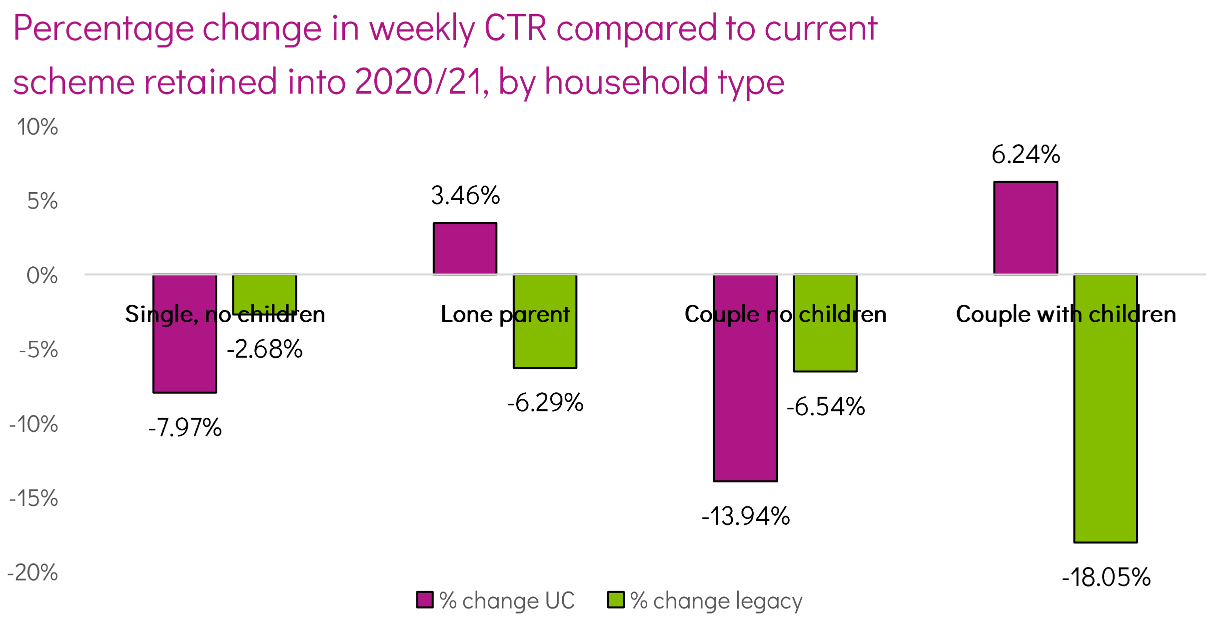
Again, households in receipt of legacy benefits reflect a greater loss in support across all tenure types than those in receipt of Universal Credit.



Model 3: Percentage change in support compared to retention of the current scheme into 2021/22, by tenure type.

Household compositions

As with Model 1, households with children see the greatest redistribution. Couples with children in receipt of Universal Credit see the largest average increase in support, of 6.24%, while couples with children in receipt of legacy benefits see the greatest decrease, of 18.05%.

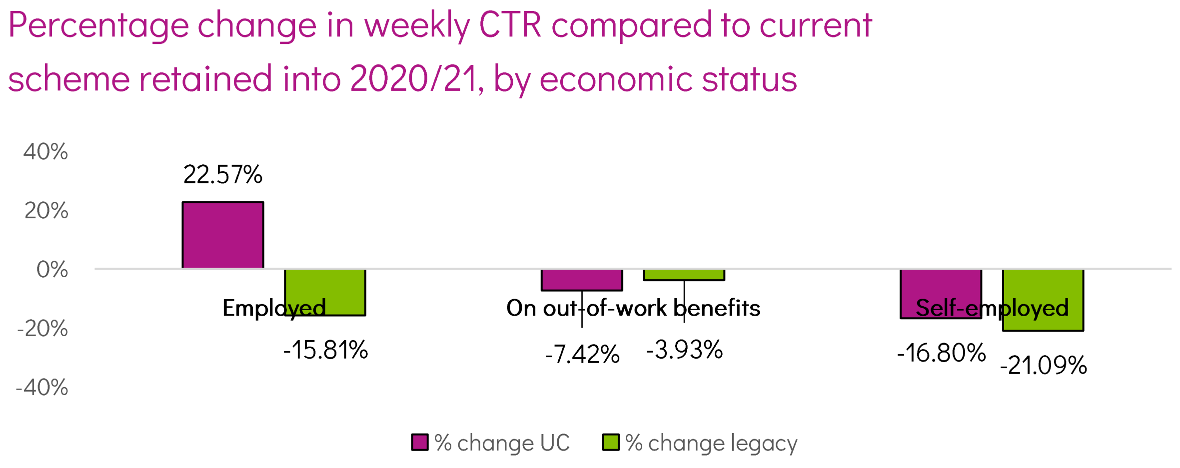


Model 3: Percentage change in support compared to retention of the current scheme into 2021/22, by household composition.

Economic status

Patterns among economic groups are similar to both Model 1 and 2. However, unlike the previous models, we see a reduction in support for those in receipt of out-of-work benefits, 7.4% among Universal Credit claimants and 3.9% among legacy claimants. This is due to the reduction for passported and maximum Universal Credit claimants who are not in receipt of disability or illness benefits.

As seen in each model, self-employed households lose support, 16.8% among Universal Credit and 21.1% among legacy households. This is very similar to Model 2 (16.6% and 21.0%) and slightly less negative than under Model 1.



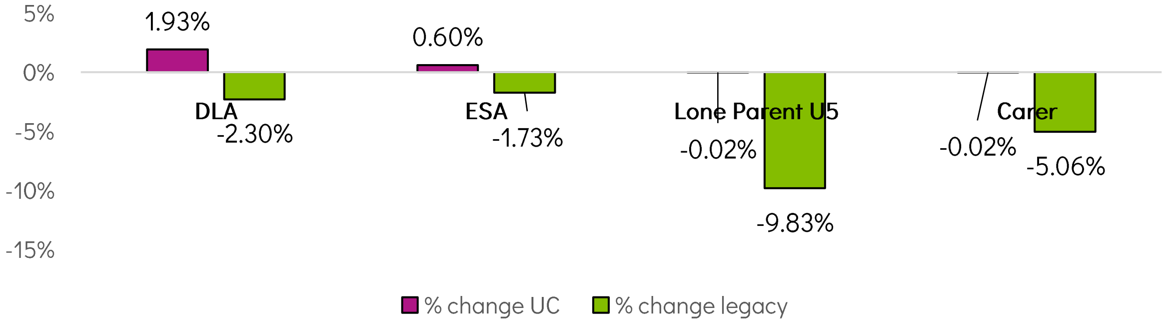
Model 3: Percentage change in support compared to retention of the current scheme into 2021/22, by economic status.

Barriers to work

Redistribution among households with disability or illness benefits remains the same as Model 2, as the maximum support for these households has not changed.

Outcomes are more negative than Models 1 and 2 for lone parents with a child under 5 and households with caring responsibilities. Those in receipt of legacy benefits see a greater reduction in support (9.8% for lone parents and 5.01% for carers). Those in receipt of Universal Credit see very similar support to the current scheme in 2021/22, whereas they had gained under Model 1 and 2.

Percentage change in weekly CTR compared to current scheme retained into 2020/21, by barriers to work



Model 3: Percentage change in support compared to retention of the current scheme into 2021/22, by household types with barriers to work

Households that are worse off: age, gender and disability

This section examines the groups that would be worse off **compared to retaining the current system into 2021/22**. Specifically, it considers whether particular groups of interest will be over-represented among those that lose all support.

Households that lose all support

Of the 25 households that lose all support:

- 8 are disabled households
- 4 are female single households
- 1 is a household in which the main claimant is aged between 60-65 inclusive

These households lose their support due to falling outside of their applicable earnings threshold.

MODEL 4 HEADLINE FIGURES: INCOME-BANDED

Model 4 is an income-banded model in which discounts are awarded based on household income, with an uplift for households in receipt of disability or illness benefits.

The bands are as follows:

Band	Household size and earnings threshold			Maximum Award
	No children	**1-2 children**	**3+ children**	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	70%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 2+				70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 3+				55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99	25%
Band 4+				30%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99	10%
Band 5+				15%

Note: bands suffixed with a '+' relate to households subject to the 5%-10% uplift due to disability or illness (in receipt of DLA/PIP or ESA).

As with the three previous models, under Model 4 net monthly income is made up of net employment earnings. Childcare costs are disregarded from the earnings of eligible households.

The model also has the following characteristics:

- No tariff income
- Introduction of flat-rate non-dependant deductions:
  - Lower non-dependant deductions of £5/week
  - Higher non-dep deductions of £10/week
- A 5% uplift to maximum award for Bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA).
  - For example, households in Band 2+ are households that fall into Band 2 (maximum award 65%) but receive an uplift of 5% (taking them up to 70%).

Model 4: cost

Annual Cost

	Model 4 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£4,692,168	-£140,318	-2.90%	-£549,847	-10.49%
UC	£1,996,515	£689,281	52.73%	-£122,154	-5.77%
Legacy benefits	£2,695,652	-£829,599	-23.53%	-£427,694	-13.69%
Pension age	£4,200,305	£373,737	9.77%	£0	0.00%
Total	***£8,892,472***	***£233,419***	***2.70%***	***-£549,847***	***-5.82%***

Model 4: Total cost of model (£/annum)

Weekly council tax support

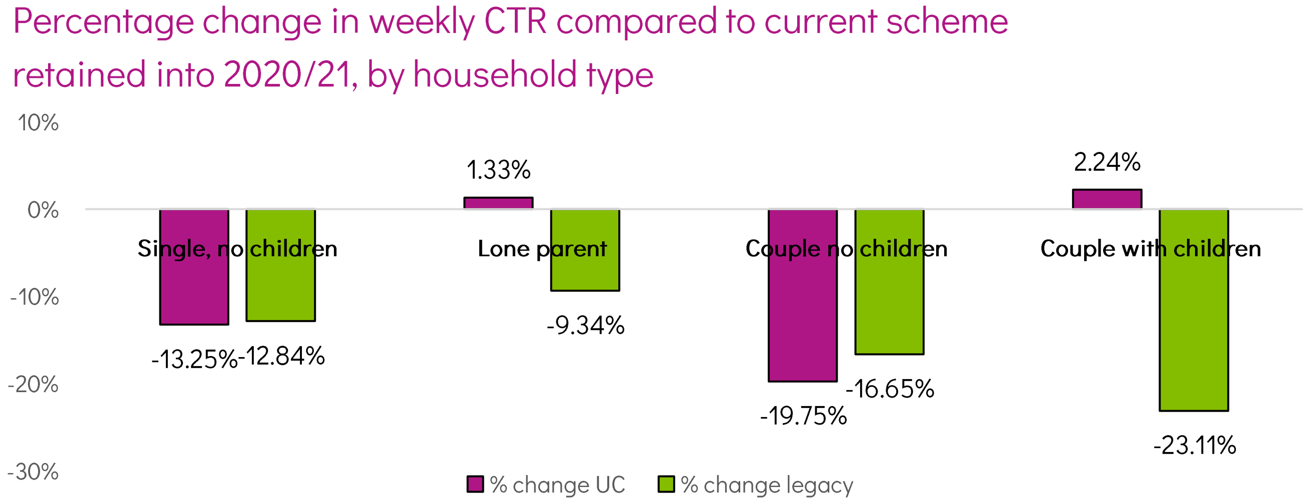
	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2021/22	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£16.62	-£0.49	-2.89%	-£1.95	-10.49%
UC	*£16.77*	-£0.05	-0.29%	-£1.03	-5.77%
Legacy benefits	*£16.51*	-£0.83	-4.78%	-£2.62	-13.69%
Pension age	*£24.41*	£2.17	9.73%	£0.00	0.00%
Total	***£19.57***	***£0.51***	***2.70%***	***-£1.21***	***-5.82%***

Model 4: Average weekly council tax support £/week

Distributional impact

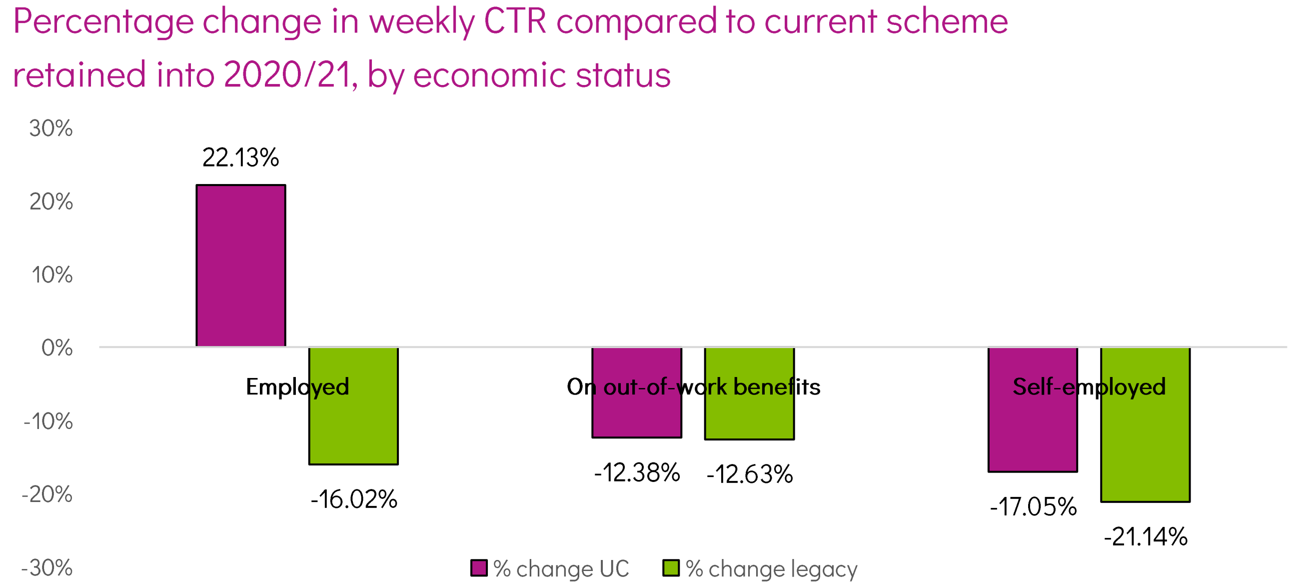
This section examines the groups that would be better or worse off **compared to retaining the current system into 2021/22**.

Household compositions



Model 4: Percentage change in support compared to retention of the current scheme into 2021/22, by household composition.

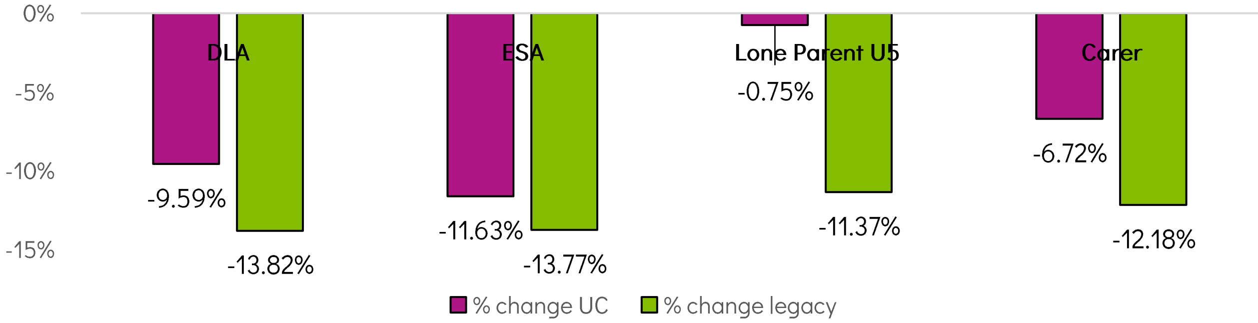
Economic status



Model 4: Percentage change in support compared to retention of the current scheme into 2021/22, by economic status.

Barriers to work

Percentage change in weekly CTR compared to current scheme retained into 2020/21, by barriers to work



Model 4: Percentage change in support compared to retention of the current scheme into 2021/22, by household types with barriers to work

DO THESE MODELS MEET THE COUNCIL'S OBJECTIVES?

Maidstone Borough Council provided scheme objectives for impact assessment and any future council tax support scheme. The council's objectives, together with an evaluation of how the models meet these objectives, is given below.

Objective: To maintain maximum level of protection and protect disabled households

Models 1 and 2 maintain the maximum level of support in line with the current scheme by making sure that support is based on 80% of CT liability for households in receipt of out-of-work benefits. Model 2 protects households living with an illness or disability in bands 2-5 by uplifting the basis of support by an additional 5% for households in which the claimant or partner receives DLA/PIP or ESA.

Model 3 reduces maximum level of support for non-protected households. However, disabled and sick households continue to receive maximum support in line with the current scheme (80%).

Objective: To simplify assessments and reassessments

All models will simplify assessments as they both require only basic household information to calculate the initial award compared to a more in-depth needs assessment. The 5% uplift under Model 2 increases support for households in receipt of disability benefits by means of a simple increase to maximum support.

All models also imply simplified re-assessments. This is because income-banded schemes only require reassessments when income crosses income-band thresholds.

Objective: To maintain costs in line with the current scheme into 2021/22

Model 1 keeps costs very much in line with the cost of the current scheme in 2021/22 (£9.43M compared to £9.44). Model 2 costs are also very similar; this time incurring an annual cost of £9.44M.

Model 3 reduces costs against the current scheme in 2021/22 from £9.4M to £9.19M.

Objective: To understand the impact on specific groups (age, gender and disability)

Female households are over-represented among the worse-off compared to male households. This is the same across all models, as only 25 households lose support in each case.

Disabled households and households aged 18-24 are under-represented in the worse-off group across models. This is because of the 5% uplift for disabled households and due to underlying demographics of households aged 18-24 (who have low earnings or are in receipt of out-of-work benefits). For disabled households this effect is stronger under Models 2 and 3 than under Model 1.

CONTACT

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Policy in Practice believes the welfare system can work better.

We were founded to help people towards financial independence. We're a policy led software and analytics business and we've built three core services to make the welfare system simple to navigate and understand.

Our award winning Benefit and Budgeting calculator is used by over 10,000 people every day. Our analytics services are used to design local support schemes and show the combined impact of different policies on individual households. Our LIFT Dashboard finds trends and relationships in data sets to uncover and visualise the drivers of poverty. We use our policy expertise to drive change via publications, media coverage and blog posts.

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Appendix 1 - Council Tax Reduction Scheme 2021-22

1. Income Banded Schemes

Income banded schemes award different levels of support based on set bands of income.

Three models have been considered when looking at an income-banded scheme.

Model 1 is a simple scheme made up of five income bands with maximum support of 80% as under the current scheme.

Model 2 is the same as Model 1 except for an additional 5% uplift to Council Tax Support for households in receipt of disability or illness benefits in respect of the claimant or their partner (subject to a maximum level of support of 80%).

The following objectives were considered:

- Maintain the maximum basis of award of 80% of liability
- Protect disabled households
- Simplify assessments and reassessments
- Maintain costs in line with the current scheme in 2021-22
- Understand the impact on specific groups based on gender, disability and age

Model 3 is a further model but with maximum support of 70%, except for households in receipt of disability or illness benefits which will have support uplifted to 80%.

2. Models 1, 2 and 3 v current scheme 2021-22

	Current scheme	Model 1	Model 2	Model 3
Cost	£9.44 million	£9.43 million	£9.44 million	£9.19 million
Claim numbers	5,340	75.5% of households fall into Band 1 with maximum support of 80% 25 households are no longer eligible due to their income being higher than the upper earnings threshold.	75.5% of households fall into Band 1 with maximum support of 80% 25 households are no longer eligible due to their income being higher than the upper earnings	75.5% of households fall into Band 1. 34.3% have 70% support. 41.2% have 80% support. 25 households are no longer eligible due to their income being higher than the upper earnings threshold.

			threshold.	
		286 households will see their support reduce by more than £5 per week including households in receipt of disability or illness benefits.	268 households will see their support reduce by more than £5 per week. Those in receipt of disability or illness benefits will have an uplift of 5%.	281 households will see their support reduce by more than £5 per week.
		505 households will gain more than £5 per week.	508 households will gain more than £5 per week.	471 households will gain more than £5 per week.
		Both losers and gainers tend to be larger households which are employed or self-employed.	Both losers and gainers tend to be larger households which are employed or self-employed.	Fewer households gain because of the reduced maximum support
		Legacy benefit households are more likely to lose compared to their Universal Credit counterparts.	Legacy benefit households are more likely to lose compared to their Universal Credit counterparts.	Unlike the previous models, Model 3 reduces support across households in receipt of Universal Credit and households in receipt of legacy benefits. Universal Credit claimants remain less negatively impacted, however.
		Employed households in receipt of Universal Credit	The increase in support for couples with children is	Employed households and couples with children in receipt

		see the largest average increase in Council Tax Support, followed by lone parents and couples with children in receipt of Universal Credit. Households in receipt of legacy benefits will generally see a reduction in Council Tax Support.	also slightly greater than under Model 1 reflecting that some of these households now benefit from the 5% uplift. Although the general pattern of redistribution from legacy households to Universal Credit households remains, the reduction among households in receipt of legacy benefits is generally smaller.	of Universal Credit see and increase in Council Tax Support. More groups in Model 3 see a reduction in support. These include couples with no children in receipt of Universal Credit, couples with children in receipt of legacy benefits and households in receipt of out of work benefits, both Universal Credit and legacy.

3. Earnings breakdown under Models 1, 2 and 3

Band	**No children**	**1-2 children**	**3+ children**
Band 1	Passported/max UC	Passported/max UC	Passported/max UC
Band 2	Less than £316	Less than £387	Less than £441
Band 3	£316- less than £632	£387 - less than £775	£441 - less than £883
Band 4	£632 - less than £948	£775 - less than £1,163	£883 - less than £1,325
Band 5	£948 - less than £1,264	£1,163 - less than £1,551	£1,325 - less than £1,767

4. Numbers of awards per household for Models 1, 2 and 3

	Band 1		**Band 2**		**Band 3**		**Band 4**		**Band 5**		**Total**
	Max Award	No.	Max Award	No.	Max Award	No.	Max Award	No.	Max Award	No.	
Model 1	80%	4,100	65%	270	50%	661	25%	268	10%	80	5,379
Model 2	80%	4,100	65% 70%	234 36	50% 55%	601 60	25% 30%	236 32	10% 15%	65 15	)) 5,379
Model 3	70% 80%	1,863 2,235	65% 70%	234 36	50% 55%	601 60	25% 30%	236 32	10% 15%	65 15	)) 5,377

5. Comparison of weekly support for Models 1, 2 and 3 to current scheme

Comparison of Council Tax Support (£/week) 2021-22				
	Current scheme	**Model 1**	**Model 2**	**Model 3**
All working age	£18.57	£18.51	£18.56	£17.68
Legacy benefits	£19.13	£18.38	£18.42	£17.84
Universal Credit	£17.80	£18.70	£18.74	£17.47
CT Band				
A	£14.97	£15.00	£15.02	£14.38
B	£17.28	£17.51	£17.53	£16.66
C	£19.14	£19.20	£19.25	£18.34
D	£21.04	£20.62	£20.70	£19.69
EFGH	£27.96	£25.98	£26.08	£25.02
Tenure type				
Private tenant	£17.41	£16.97	£17.03	£16.35
No HB	£19.09	£19.61	£19.65	£18.12
Supported housing	£18.10	£17.82	£17.87	£17.67
HA tenant	£18.74	£18.61	£18.65	£17.93
Temporary accommodation	£18.95	£18.10	£18.14	£17.30
Tenure Unknown	£16.66	£18.83	£18.83	£17.01
Household type				
Single	£17.93	£17.57	£17.59	£17.08
Lone Parent	£17.45	£18.53	£18.54	£17.11

Couple no children	£23.67	£21.70	£21.82	£21.46
Couple with children	£21.23	£19.90	£20.06	£19.37
Economic Status				
Employed	£12.75	£13.51	£13.65	£13.21
Out of work benefits	£20.41	£20.40	£20.40	£19.32
Self-employed	£18.84	£14.90	£15.08	£15.06
Barriers to work				
DLA or similar	£19.96	£19.62	£19.76	£19.76
ESA or similar	£20.60	£20.32	£20.36	£20.36
Lone Parent child under 5	£18.05	£19.13	£19.13	£17.13
Carer	£22.84	£22.85	£22.97	£22.02

6. How these models meet the Council's objectives

6.1 Maintain maximum level of protection

Models 1 and 2 maintain the maximum level of support in line with the current scheme of 80%.

Model 3 maintains the maximum level of support for households with an illness or disability of 80%

6.2 Protect disabled households

Model 2 protects households living with an illness or disability in bands 2-5. Support is increased by an additional 5% for households in which the claimant or partner receives DLA/PIP or ESA.

Model 3 protects households living with an illness or disability in all bands 1-5.

6.3 Simplify assessments and reassessments

Models 1, 2 and 3 only require basic household information to calculate the initial award. All models only require reassessments when income crosses income-band thresholds.

6.4 Maintain costs in line with the current scheme into 2021/22

Both Models 1 and 2 keep costs in line with the current scheme (£9.44 million).

Model 3 comes in under at £9.1 million.

6.5 To understand the impact on specific groups (age, gender and disability)

The report in the background papers gives full details of the impact on specific groups.

Female households are over-represented compared to male households.

Disabled households are under-represented in the worse-off group across models. This is because of the 5% uplift for disabled households.

Households aged 18-24 are under-represented where they have low earnings or are in receipt of out-of-work benefits.

Model 1

Band	Household size and earnings threshold			Maximum Award
	No children	**1-2 children**	**3+ children**	
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%
Band 4	£632-£947.99	£775-£1,162.99	£883-£1,324.99	25%
Band 5	£948-£1,263.99	£1,163-£1,550.99	£1,325-£1,766.99	10%

Case A

£923 per month in earnings
No children
Not disabled
On the earnings of £923 would receive a CTRS award of 25% Band 4.

Case B

£923 per month in earnings
No children
Disabled

In addition to their earnings, receive disability payments
£386.32
£269.75

Total monthly income to £1,579.07.

Only earnings of £923 are taken into account. This means that they too will receive an award of CTRS of 25% Band 4.

Case C

In receipt of Universal Credit, disabled child x 1, 3 non disabled children

£2,421.72 - Not working, maximum Universal Credit per month

Will automatically go into band 1 with 80% award

The amounts shown below are the benefits paid to someone to help with some of the extra costs if they have a long term ill-health or disability.

Personal Independence Payment

Living Component

	Weekly	Monthly
Standard	£59.70	£258.70
Enhanced	£89.15	£386.32

Mobility component

	Weekly	Monthly
Standard	£23.60	£102.27
Enhanced	£62.25	£269.75

Disability Living Allowance

Care Component

	Weekly	Monthly
Higher	£89.15	£386.32
Middle	£59.70	£258.70
Lower	£23.60	£102.27

Mobility Component

	Weekly	Monthly
Higher	£62.25	£269.75
Lower	£23.60	£102.27

Council Tax Reduction

Exceptional Hardship

Policy

01 April 2021

to

31 March 2022

Revised November 2020

1. Background

1.1 An Exceptional Hardship Policy has been created by Maidstone Borough Council to assist residents who have applied for Council Tax reduction and who are facing 'exceptional hardship'. This is to provide further assistance where the level of support being provided by the Council does not meet their full Council Tax liability.

1.2 The main features on the policy are as follows:

- The operation of the policy will be at the total discretion of the Council;
- The policy will be applied by the Head of Revenues and Benefits on behalf of the Council;
- Exceptional hardship falls within s13(A)(1a) of the Local Government Finance Act 1992 and forms part of the Council Tax Reduction Scheme;
- Exceptional Hardship awards will only be available for a Council Tax liability from 1 April 2021 onwards and will not be available for any debt other than outstanding Council Tax;
- A pre-requisite to receive an award is that an application for Council Tax Reduction has been made;
- Where an Exceptional Hardship award is requested for a previous period, exceptional hardship must have been proven to have existed throughout the whole of the period requested and will only be backdated to the start of the financial year in which the claim is made;
- Exceptional Hardship awards are designed as short-term help to the applicant only; and
- All applicants will be expected to engage with the Council and undertake the full application process. Failure to do so may mean that no payment will be made.

2. Exceptional Hardship and Equalities

2.1 The creation of an Exceptional Hardship Policy facility meets the Council's obligations under the Equality Act 2010.

2.2 The Council recognises the impact changes to our Council Tax Reduction Scheme will have on our most vulnerable residents and therefore the importance this policy has in protecting those applicants most in need from exceptional hardship. It should be noted that an Exceptional Hardship Policy is intended to help in cases of extreme financial hardship and not support a lifestyle or lifestyle choices.

3. Purpose of this Policy

3.1 The purpose of this policy is to specify how Maidstone Borough Council will operate the scheme, to detail the application process and indicate a number of the factors which will be considered when deciding if an Exceptional Hardship payment can be made.

3.2 Each case will be considered on its merits and all applicants will be treated fairly and equally in both accessibility and decisions made.

4. The Exceptional Hardship Process

4.1 As part of the process of applying for an Exceptional Hardship payment, all applicants must be willing to undertake all of the following:

- Make a separate application for assistance;
- Provide full details of their income and expenditure, together with last 3 months bank statements;
- Where a person is self employed or a director of a private limited company, provide details of the business including the supply of business accounts;
- Accept assistance from either the Council or third parties (such as the Citizens Advice Bureau and Money Advice Service) to enable them to manage their finances more effectively – including the termination of non essential expenditure and seeking additional paid employment where possible ;
- Identify potential changes in payment methods and arrangements to assist them;
- Assist the Council to minimise liability by ensuring that all discounts, exemptions and reductions are properly granted
- Maximise income through the application for other welfare benefits, cancellation of non essential contracts and outgoings and by identifying the most economical tariffs for the supply of utilities and services.

4.2 Through the operation of this policy the Council will look to:

- Allow a short period of time for someone to adjust to unforeseen short term circumstances and to enable them to "bridge the gap" during the time, whilst the applicant seeks alternative solutions;
- Help applicants through personal crises and difficult events that affect their finances;
- Help those applicants who are trying to help themselves financially;
- Encourage applicants to contact the Job Centre Plus to obtain and sustain employment.

4.3 An Exceptional Hardship award will not be considered in the following circumstances:

- Where the full Council Tax liability is being met by Council Tax Reduction;
- For any reason other than to reduce Council Tax liability;
- Where the Council considers that there are unnecessary expenses/debts etc. and that the applicant has not taken all reasonable steps to reduce them;
- To pay for any arrears of Council Tax caused through a failure of the applicant to notify changes in circumstances in a timely manner or where the applicant has failed to act correctly or honestly
- To cover previous years' Council Tax arrears

5. Exceptional Hardship Award

5.1 The Council will decide whether or not to make an Exceptional Hardship award, and how much any award might be.

5.2 When making this decision the Council will consider:

- The shortfall between Council Tax Reduction and Council Tax liability;
- Whether the applicant has engaged with the Exceptional Hardship process;
- The personal circumstances, age and medical circumstances (including ill health and disabilities) of the applicant, their partner, dependants and any other occupants of the applicant's home;
- The difficulty experienced by the applicant, which prohibits them from being able meet their Council Tax liability and the length of time this difficulty will exist;
- The income and expenditure of the applicant, their partner and any dependants or other occupants of the applicant's home;
- All income received by the applicant, their partner and any member of their household irrespective of whether the income may fall to be disregarded under the Council Tax Reduction scheme;
- Any savings, capital or investments that might be held or available to the applicant, their partner or any member of the household irrespective of whether the capital may fall to be disregarded under the Council Tax Reduction scheme;
- Other debts outstanding for the applicant and their partner;
- The exceptional nature of the applicant and/or their family circumstances that impact on finances, and
- The length of time they have lived in the property

5.3 The above list is not exhaustive and other relevant factors and special circumstances may be considered.

5.4 An award of Exceptional Hardship does not guarantee that a further award will be made at a later date, even if the applicant's circumstances have not changed.

5.5 An Exceptional Hardship award may be less than the difference between the Council Tax liability and the amount of Council Tax Reduction paid if it deemed that the applicant could meet part of the remaining liability from their own resources.

5.6 The application may be refused if the Council feels that, in its opinion, the applicant is not suffering 'exceptional hardship' or where the applicant has failed to comply with the requirements of the Exceptional Hardship policy.

6. Publicity

6.1 The Council will promote the availability of the scheme through:

- Website
- Social media
- Signposting within Council Tax/Council Tax Reduction correspondence
- Local advice agencies

7. Claiming an Exceptional Hardship Award

7.1 An application must be made using the form approved by the Council. The application form can be obtained by emailing the Council or printing a copy from the website.

7.2 Applicants can get assistance with the completion of the form from the Revenues and Benefits Service, Customer Services at the Council or advice agencies.

7.3 The application form must be fully completed and supporting information and evidence provided, as reasonably requested by the Council.

7.4 The claim should be made by the person claiming the Council Tax Reduction. However, a claim can be accepted from someone acting on another's behalf, such as an appointee, if it is considered reasonable.

8. Changes in circumstances

8.1 The Council may revise an award of Exceptional Hardship where the applicant's circumstances have changed which either increases or reduces their Council Tax Reduction entitlement.

9. Duties of the applicant and the applicant's household

9.1 A person claiming an Exceptional Hardship payment is required to:

- Provide the Council with such information as it may require to make a decision;
- Tell the Council of any changes in circumstances (such as changes in income, moving from the property) that may be relevant to their ongoing claim within 21 days of the change

10. The award and duration of an Exceptional Hardship award

10.1 Both the amount and the duration of the award are determined at the discretion of the Council and will be done so on the basis of the evidence supplied and the circumstances of the claim.

10.2 The maximum length of the award will be limited to the financial year in which the claim is received.

11. Payment

11.1 Any Exceptional Hardship award will be made direct onto the taxpayer's Council Tax account, thereby reducing the amount of Council Tax payable.

12. Overpaid Exceptional Hardship Payments

12.1 Should the claimant notify a change of circumstances or the Council receives new information that reduces the need for the exceptional hardship payment, an overpayment will be raised.

12.2 Any amounts to be recovered will be added back on to the applicant's Council Tax account, thus increasing the amount of Council Tax due. An amended bill will be issued.

13. Notification of an award

13.1 The Council will notify the applicant of the outcome of their application for an Exceptional Hardship award in writing/email, setting out the period and amount of award or reasons for refusal.

14. Appeals

14.1 Exceptional Hardship awards are granted under S13A (1a) of the Local Government Finance Act 1992 as part of the Council Tax Reduction scheme. As such the appeals process follows the same route. An appeal can be made at any time. The initial appeal should be made directly to the Council who will review their decision. If agreement cannot be reached the applicant will have a right of further appeal to the Valuation Tribunal.

15. Fraud

15.1 The Council is committed to protecting public funds by ensuring awards are only made to applicants who are rightfully eligible to them.

15.2 An applicant who tries to fraudulently claim an Exceptional Hardship payment by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under the Fraud Act 2006.

15.3 Where the Council suspects that such a fraud may have been committed, the matter will be investigated and where appropriate criminal proceedings instigated.

16. Complaints

16.1 The Council's complaint's procedure will be applied in the event of any complaint received about the application of this policy. However, it will not deal with a complaint about the decision itself as there is a separate appeals process for this.

17. Policy Review

17.1 This policy will be reviewed on an annual basis and updated as appropriate to ensure it remains fit for purpose. However, a review may take place sooner should there be any significant change in legislation.

Equality Impact Assessment
Council Tax Reduction Scheme

Authority:	Maidstone Borough Council
Date EqIA commenced:	July 2020
Date first stage EqIA finalised for pre-consultation decision:	August 2020
Date second stage EqIA finalised after consultation closed, prior to final decision being taken:	October 2020
Job titles of officers involved in completing the EqIA:	Head of Mid Kent Revenues & Benefits Partnership Equalities and Corporate Policy Officer

Summary of decision to be made

Since 1 April 2013 the Council has maintained a local Council Tax Reduction Scheme. The Council has the ability to determine the level of reduction given to working age applicants only. The scheme for pension age applicants is determined by Central Government and cannot be changed.

Each year our local scheme has been 'refreshed' annually for general changes in applicable amounts (primarily in relation to disability premiums) and, taking into account the introduction of Universal Credit, approved by Full Council. The current scheme (for working-age applicants) is means tested and all applicants, irrespective of their financial circumstances, are currently required to pay a minimum of 20% towards their Council Tax liability.

The Council is proposing to change the way in which it delivers its Council Tax Reduction Scheme from 1 April 2021 to bring it into line with welfare changes, in particular, Universal Credit.

3 models have been identified to fulfil the following objectives:

- Maintain the maximum award of 80% of the Council Tax due
- Protect disabled households
- Simplify assessments and reassessments
- Maintain costs of award in line with what the current scheme would have been in 2021-22
- Look at longevity of any new scheme

Scope of this equality impact assessment

- Review the proposed changes to the scheme from 1 April 2021 and identify areas of impact on groups with protected characteristics.
- Review impact of the scheme in line with results of public consultation.

How is the decision relevant to the three aims of the Public Sector Equality Duty?

- The need to ensure that the scheme is not unlawfully discriminatory is relevant to the first aim of the duty to eliminate discrimination, harassment and victimisation.
- The need to consider how we can take steps to meet the needs of people with protected characteristics and whether people with disabilities may need to be treated more favourably, in how the scheme is designed, is relevant to the second aim of the duty to advance equality of opportunity.
- The proposed service changes could also be relevant to fostering good relations with regard to maintaining the confidence and trust in the local authority by people with protected characteristics who may use our services.

New Scheme proposed, to be introduced from April 2021

The Council is looking to change its Council Tax Reduction Scheme from 1 April 2021.

The introduction of Universal Credit (UC) which is delivered by the Department for Works and Pension (DWP) has brought about a number of changes that mean the current scheme is now outdated.

Under the current scheme, Council Tax Reduction entitlement has to be recalculated each time a change is reported the DWP.

The 3 models proposed for public consultation seek to simplify the administrative burden placed on the claimant and the Council.

On average, 40% of UC claimants have between eight and twelve changes in entitlement per year which can lead to an adjustment of their Council Tax Reduction entitlement. Although full migration to Universal Credit is not expected before 2024, a 20% increase in Universal Credit applications is expected each year.

Each adjustment generates a letter to advise the claimant of their award and a new bill is sent advising of the revised Council Tax instalments.

The new 3 models proposed are income banded schemes. A number of councils have already changed their Council Tax Reduction schemes to income banded schemes with wide income bands to work with changes made.

A banded scheme has the following advantages:

- Simpler and easier to understand for existing claimants and new applicants with the reduction of adjustments to the award, which will reduce the need for revised bills to be issued with changes to the instalments due.
- Entitlement for every applicant will be maximised; the Council will automatically be advised by DWP when someone has made a claim for Universal Credit which will help to reduce the risk of applicants losing out on their entitlement.
- A simpler and less burdensome administration process will improve the speed of processing significantly because Council Tax Reduction will only be changed if income falls into the next income band which will in turn limit delays; only significant changes in income will affect the level of discount awarded.
- Collection rates will be maintained because the new scheme will avoid constant changes in entitlement and the need for revised bills to be issued with changes to the instalments due.

If a banded scheme is adopted by the Council, it is expected to provide a long-term solution to the scheme's administrative disadvantages, with minimal changes needed in the future.

In terms of fulfilling the Council's objectives in developing a new scheme, it is important that a future scheme maintains costs in line with the current scheme. Both Models 1 and 2 keep costs (award of support) in line with the cost of the current scheme in 2021/22 (£9.44 million). Model 3 costs are £9.1 million, offering a reduction in costs.

An important feature of the new scheme is the retention of the Exceptional Hardship Policy to protect those who may otherwise experience severe financial hardship.

The full impact of 3 models being presented for consultation was outlined in the consultation documentation.

It should be noted that claimant information is collected on disability (including carers), age and sex only as this information is relevant to the claim. These characteristics formed part of the modelling process.

All claimants, including those with protected characteristics and those without

- Models 1 and 2 maintain the maximum level of support for all claimants which is in line with the current scheme of 80%.
- Model 3 maintains the maximum level of support for households with an illness or disability benefit of 80%.
- Simplified assessments and reassessments that would benefit all claimants are offered by Models 1, 2 and 3 as they only require basic household earnings information to calculate the initial award. All models would only require reassessments when income crosses income-band thresholds.

Disability

- Model 1 protects households living with an illness or disability as the benefits received are not taken into account as income. Only employment earnings are taken into account.
- Model 2 gives further support for households living with an illness or disability in bands 2- 5. Support is increased by an additional of 5% for households in which the claimant or partner receives DLA/PIP or ESA in addition to the protection in Model 1.
- Model 3 maintains the maximum level of support for households with an illness or disability benefit of 80%
- Model 3 gives further support for households living with an illness or disability in all Council Tax bands across all bands 1-5.
- Disabled households are under-represented in the worse-off group across models. This is because of the 5% uplift for disabled households.

Age

- Pension age households will not be affected by the models proposed.
- Although the impacts may differ by age group, calculation of Council Tax reduction is not related to a person’s age.
- Households aged 18-24 where they have low earnings or are in receipt of out-of-work benefits are under-represented.

Sex

- Female households are over-represented compared to male households.
- It should be noted that in terms of gender females are more likely to be the primary applicant and/or have dependent children.

Race

This information is not collected from claimants as it is not relevant to the calculation of council tax reduction. The Census (2011) shows no significant or notable difference that people from Minority Ethnic backgrounds are more likely to be economically active and less likely to be self-employed, than people from a White background. We have no evidence to indicate that working age people with different ethnic backgrounds would be affected differently. However, we will ask people to identify their ethnic group when responding to the consultation.

Armed Forces Community

This is considered in this equality impact assessment as part of the commitments within the Community Covenant. Armed forces personnel deployed on operations overseas, who normally pay council tax, benefit from a tax-free payment on the cost of council tax paid directly by the Ministry of Defence. Following the announcement by the Chancellor in his 2012 Budget statement, Council Tax Relief will be worth just under £600 (based upon 2012/13 council tax) for an average six-month deployment based on the average Council Tax per dwelling in England. This will continue to be paid at a flat rate to all eligible personnel. More information is available at www.mod.uk. We also disregard income from war disablement pensions, providing eligible claimants with a higher council tax reduction.

Other protected characteristics

We do not collect information about the following characteristics from claimants as it is not relevant to the calculation of council tax reductions:

- Religion or belief
- Sexual orientation
- Gender reassignment
- Marital or civil partnership status
- Pregnancy or maternity

Summary of initial findings prior to consultation

All working age claimants, including those with protected characteristics, receive a reduction in their benefit amount. Pension age claimants, who also have protected characteristics, do not fall into the proposed income banded scheme receive a reduction as they are protected from any changes by Central Government. Claimants with a disability will maintain the maximum level of support under all models.

	Impact on protected characteristic (identified prior to consultation)		
Consultation option	**Disability**	**Age**	**Sex**
Model 1	No	Yes	Yes
Model 2	Yes	Yes	Yes
Model 3	No	Yes	Yes

(table 1)

Actions to mitigate any identified impacts

The Exceptional Hardship Policy will be retained as part of all 3 models under a new scheme to protect those who may otherwise experience severe financial hardship.

Findings following public consultation

Residents were consulted on proposed changes to Council Tax benefit between 31 July 2020 and 27 September 2020.

The impact on protected characteristics was considered prior to consultation. Claimant data includes disability (including carers), age and sex only. It does not include information on a claimant's ethnicity as it is not relevant to the collection of Council Tax but this does form part of the demographic information collected in the consultation. The response from these groups' forms part of the consultation report analysis.

Disability

Disabled respondents and non-disabled respondents ranked the proposed models in the same order. There were no notable differences.

Model 1 –Ranked second by disabled respondents and non-disabled respondents.
Model 2 –The preferred option for disabled and non-disabled respondents.
Model 3 - Ranked third by disabled respondents and non-disabled respondents.

Carers

Carers and non-carers ranked model 2 first in order of preference.

- **Model 1** - 37.5% of non-carers placed preferred Model 1 compared to 16.7% of carers, making Model 1 the second choice, in order of preference, for non-carers.

- **Model 2** - Carers and non-carers ranked model 2 first in order of preference.
- **Model 3** - The second choice for carers. 45.8% of carers selected model 3, compared to 29.9% of non-carers.

Age

Pension age households will not be affected by the models proposed, however there is a potential impact on other age groups.

Model 1

- The preferred option for those aged 35-44.
- The 65 years and over group had the lowest proportion of respondents ranking Model 1 as a preferred option at 19.4%.

Model 2 - The preferred option for the age groups **up to** 64 years.

Model 3

- The preferred model for the those aged 65 years and over with 50.0% of respondents in this age group selecting model 3.
- The 45 to 54 years had the lowest proportion of respondents selecting this model at 27.6%

Sex

Model 2 was the preferred model for both male and female respondents.

Model 1 – No notable findings.
Model 2 - The preferred model for both male and female respondents.
Model 3 - Male responders were more likely to rate model 3 first with 43.1% responding this way compared to 28.6% of female responders. However, male respondents were just as likely rank model 3 third or last (43.1%).

Armed Forces Community

There were no comments relating to the impact on the Armed Forces Community.

Other protected characteristics

Although information is not collected on the following characteristics from claimants as it is not relevant to the calculation of Council Tax reductions, some relevant points have been noted from the consultation:

- Race
- Religion of belief
- Sexual orientation
- Gender reassignment
- Marital or civil partnership status
- Pregnancy or maternity

Race – Race is included under the demographic information collected from respondents in their consultation response. However, there were only 8 responses from respondents from BAME communities so a meaningful assessment could not be made in terms of differences in response.

Household type is not a protected characteristic but there are correlations that can be made with marital status from the consultation findings. These are noted below:

- **Model 1** - Single persons had the greatest proportion ranking model 1 as first at 44.4%, this is significantly higher that the proportion responding the same who were in couples without children (23.9%).
- **Model 2** - Lone parents had a stronger preference for model 2 than couples without children.
- **Model 3** - 74.1% of lone parents ranked model 3 as third. This is significantly greater than the proportions responding the same from both groups containing couples.

Impact pre-consultation		Consultation findings			
Model	**Features**	**Disability**	Carers	**Age**	**Sex**
1	Households aged 18-24 where they have low earnings or are	Ranked second by disabled respondents	The second choice for non-carers (37.5% of	The preferred option for those aged 35-44.	No notable findings.

Consultation summary

Prior to consultation, the only model that did not present a potential detrimental impact in terms of an equalities impact, based on the information presented, was Model 1 (see table 1 above).

As set out in the consultation documents, Models 1 and 2 maintain the maximum level of support for all claimants which is in line with the current scheme of 80% with both offering protection to disabled applicants.

It is model 3 that offers disabled applicants with a maximised level protection. However, disabled respondents to the consultation ranked Model 3 third in terms of their overall preference.

The table below summarises the consultation findings by model and protected characteristic.

The overall preferred option was Model 2 across all groups, with the exception of the 65 and older age group.

Pensioners are however protected under the scheme and make up the lowest proportion of applicants at 2%

The table below (table 2) summarises the consultation findings by model and protected characteristic.

	in receipt of out-of-work benefits are under-represented. Models 1 (and 2) maintains the maximum level of support for all claimants which is in line with the current scheme of 80%.	and non-disabled respondents.	non-carers compared to 16.7%).	Lowest proportion 65 and over of respondents ranking Model 1 as a preferred option at 19.4%.	
2	Models 2 (and 1) maintains the maximum level of support for all claimants which is in line with the current scheme of 80%. Model 2 protects households living with an illness disability in bands 2-5. Support is increased by an additional of 5% for households in which the claimant or partner receives DLA/PIP or ESA.	Preferred option for Disabled respondents and non-disabled respondents	Carers and non-carers ranked model 2 first in order of preference	The preferred option for the age groups **up to** 64 years.	Preferred option for male and female respondents
3	Model 3 maintains the maximum level of support for households with an illness or disability benefit.	Ranked third by disabled respondents and non-disabled respondents.	The second choice for carers (45.8% of carers compared to 29.9% of non-carers).	The preferred model for the those aged 65 years and over with 50.0% of respondents in this age group selecting model 3. The 45 to 54 years had the lowest proportion of respondents selecting this model at 27.6%	Male responders were more likely to rate model 3 first with 43.1% responding this way compared to 28.6% of female responders. Male respondents were just as likely rank model 3 third or last (43.1%).

(table 2)

POLICY AND RESOURCES COMMITTEE	**25th NOVEMBER 2020**

COUNCIL-LED GARDEN COMMUNITY UPDATE

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service	William Cornall, Director of Regeneration & Place
Lead Officer and Report Author	William Cornall, Director of Regeneration & Place
Classification	Public
Wards affected	All, but in particular Harrietsham & Lenham and Headcorn Wards. Lenham Parish Council and Boughton Malherbe Parish Council are affected.

Executive Summary

The proposal was last considered by this Committee on 21st October 2020. The purpose of this report is to provide an update in respect of the progress made since then in pursuing a council-led garden community, near Lenham Heath (Heathlands). As in the case of previous reports to this Committee, the contents of this report relate to the Council's position as a potential property owner/developer and not as Local Planning Authority (LPA).

Purpose of Report

For information.

This report makes the following recommendations to this Committee:

1. To note the contents of this report.

Timetable	
Meeting	***Date***
Policy and Resources Committee	25 November 2020

COUNCIL-LED GARDEN COMMUNITY UPDATE

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The four Strategic Plan objectives are: • Embracing Growth and Enabling • Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place Accepting the recommendations will materially improve the Council's ability to achieve all the corporate priorities.	Director of Regeneration & Place
Cross Cutting Objectives	The four cross-cutting objectives are: • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected The report recommendations support the achievement of all the cross cutting objectives. Through delivering much needed homes to include 40% affordable housing of which 70% would be for social or affordable rent. The emerging masterplan is landscape led with up to 50% of the total proposed as green space. Led by the ambitions set out in the Strategic Plan the Council can ensure that the design principles of development where it is the master planner reflect the commitment to reduce health inequalities amongst other things.	Director of Regeneration & Place
Risk Management	See section 5.	Director of Regeneration & Place

Financial	Investment in the Garden Community forms part of the Council's five-year capital programme and budgetary provision exists for the expenditure described in the report and the plans outlined here.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Director of Regeneration & Place
Legal	There are no legal implications arising from this report as it is for information only.	Principal Solicitor - Commercial
Privacy and Data Protection	No impact identified	Policy and Information Team
Equalities	An Equalities Impact Assessment will be completed if the proposal forms part of the draft spatial strategy of the Local Plan Review.	Equalities and Corporate Policy
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	The recommendation will not have a negative impact on Crime and Disorder.	Head of Service or Manager
Procurement	N/A.	Head of Service & Section 151 Officer
Biodiversity	The revised masterplan brief seeks a biodiversity net gain within the proposed redline.	Head of Policy Communications & Governance

2. INTRODUCTION AND BACKGROUND

2.1 The Council is pursuing this project as it is consistent with its Strategic Plan priority of "embracing growth and enabling infrastructure" and the desired outcomes within it:

- The Council leads master planning and invests in new places which are well designed.
- Key employment sites are delivered.
- Housing need is met including affordable housing.
- Sufficient infrastructure is planned to meet the demands of growth.

2.2 This report will provide an update on the progress made since the last report to this Committee on 21st October 2020 and addresses the following areas:

- Promotion of Heathlands through the Local Plan Review (LPR)
- Homes England partnership update
- Principal Landowners
- Community engagement

2.3 **Promotion of Heathlands through the LPR.** The Strategic Planning & Infrastructure Committee on Monday 9th November 2020 made key decisions in respect of the next stage of the Maidstone Local Plan Review, in terms of its Preferred Spatial Strategy and Alternatives. Accordingly, the Heathlands proposal has been identified as one of two garden settlement proposals that will indeed feature in this to be taken forward to the next stage of consultation on the Local Plan Review.

2.4 Public consultation on the latest Local Plan Review proposals Preferred Approaches Document as well as concurrent consultation on the associated Sustainability Appraisal documents is due to begin before Christmas and run for 3 weeks and all those with an interest in any of the proposals in the Local Plan Review are encouraged to participate.

2.5 The LPA report indicates that Heathlands will yield 5,000 homes but would be acceptable at just 3,000 homes. It also indicates that Heathlands will deliver 1500 homes in the LPR period to 2037, with the remaining 3,500 homes to follow in subsequent Local Plans. I.e. this position has been informed by the Stantec reports and analysis which will now inform the evolution of the Heathlands proposal through ongoing dialogue with the LPA.

2.6 **Homes England (HE) Partnership update**. As previously reported, HE received on 7th October 2020, their Development Project Executive approval to undertake their own due diligence of the project to a value of £250k. The draft findings of this due diligence appear to be broadly positive and appear consistent with the conclusions reached and shared by MBC officers and indeed those reached by Stantec too. They expect to receive the final reports from their consultant team within the next fortnight.

2.7 HE will seek their final approval for their full £1.5m contribution for match funding with MBC (for the full £3m promotional costs) in February 2021, once they (together with MBC) have concluded the negotiations with the principal landowners. The intention is for contracts between MBC / HE and the principal landowners to be in place by March 2021.

2.8 Furthermore, HE has also provided MBC with some initial ideas as to the possible deal structures that could be utilised between the two organisations for the delivery phase (so post securing outline Planning consent). These will be explored by the Corporate Leadership Team imminently with recommendations to be brought to the Committee as soon as is practicable.

2.9 **Principal Landowners**. The five principal landowners and the additional landowners to the north of the railway line are fully briefed and are aware that commercial negotiations will need to recommence and proceed at pace following the November SPI decision, and the next meeting with their advisor has been scheduled. They are also aware that these negotiations will now include HE too.

2.10 As promoter of the Heathlands proposal the Council has always been clear that it was focussing its initial discussions on the principal landowners in the vicinity and that if the project does start to gain traction, it would then seek to expand these discussions to include the smaller landowners too.

2.11 Given the positive decision by SPI, this broader dialogue will now be opened in the coming weeks. Indeed, a group of smaller landowners wrote to the Council on 2nd November stating that they did not want their land to feature in the proposals, and the Council has instructed its solicitor to prepare an initial response to them. Regardless, the definition of the redline and masterplan for Heathlands remains an iterative process, and so there will be some scope to consider the wishes of different landowners and stakeholders, without compromising the overall proposal.

2.12 **Community Engagement**. A meeting was held with the SOHL representatives on 11th November with a view to discussing the matter of community engagement. However, it was requested (by SOHL) that the matter be set aside until the Council responds in respect of the smaller landholders as mentioned in the previous paragraph. Therefore, this dialogue will be put in place at the earliest opportunity and of course the SOHL group as well as the Parish Council will be consulted with by the LPA too in the coming weeks (Reg 18B).

2.13 **Summary**. Very good progress has been made since the last update report given the positive SPI decision that confirms the Heathlands proposal will feature in the next stage of the LPR.

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3. AVAILABLE OPTIONS

3.1 The report is for noting.

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 N/A.

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5. RISK

5.1 When this proposal was presented to this Committee in September 2019, the likely risks were set out as follows:

- At risk consultancy expenditure.
- A period of uncertainty for the community affected.
- Possible negative perceptions of a broader role for the Council in the context of acting as master developer.
- Maintaining cohesion amongst the landowner group.

5.2 These risks have to some degree crystallised and largely remain. However, the level of cohesion amongst what is a now smaller landowner group, is now strong.

5.3 Further risks that have since been added and that remain are:

- Terms cannot be agreed with the landowners (principal and minority).
- Challenge from individuals or organisations that oppose the principle and/or the specific details of MBC's council-led garden community.
- The further due diligence being undertaken by HE could identify currently unforeseen areas of risk.

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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Nothing further to report since July 2020.

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The next steps will be to:

- Advance the commercial negotiations with the five principal landowners and landowners north of the railway line.
- Make representations to the LPA at Regulation 18B consultation stage of the LPR.
- Engage with LPA to refine the Heathlands concept.
- Continue discussions with Homes England.
- Bring to the P&R Committee recommendations concerning the contractual/partnership agreement between MBC and Homes England

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8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.

Policy and Resources Committee – 25 November 2020

Part 1

Briefing Paper Hazlitt Theatre Referral

Introduction

In accordance with Council procedure rule 33 which requires a minimum of three Councillors to call-in a decision of a Service Committee, six Councillors have called in the following decisions of the Economic Regeneration and Leisure (ERL) Committee:

That:

1. It be recognised that subsidy paid to Parkwood Theatres to operate the Hazlitt Theatre is not sustainable under the Council's new Medium-Term Financial Strategy;

2. The Council should seek to reduce its monthly expenditure on the Hazlitt Theatre complex to a maximum of £8,630, that being the amount it would cost for the Council to mothball the building;

3. The Head of Regeneration and Economic Development enter into discussions with Parkwood Theatres and terminate the Hazlitt Theatre contract; and

4. Alternative uses, in the short and medium term, be looked into.

The reasons for the decision referral are attached at **Appendix A**.

Decision Referral Process

The constitution outlines the process for the referral of a Service Committee's decision to Policy and Resources Committee.

The Councillors who have referred the decision shall have the opportunity to present their reasons for referral. They are then able to participate in the discussion and debate.

The Chairman of Economic Regeneration and Leisure Committee supported by the Head of Regeneration and Economic Development will brief the Committee on the decisions taken.

To allow as full a public debate as possible a part 1 briefing note has been prepared. The minutes of the meeting of the Economic Regeneration and leisure Committee from 12th November 2020 are attached at **Appendix B**. The Part II report considered by ERL is also included on the agenda papers, should the committee wish to consider anything included in the report but not in the briefing or minutes the committee will need to consider moving into Part II.

The report considered by ERL was taken in Part II with the exclusion of the press and public as it contained commercially sensitive information relating both to the Council and the financial affairs of a third party, in this case, Parkwood.

Under Section 100A(4) Local Government Act 1972 the public can be excluded from a meeting where it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in one or more of the following paragraphs of Part (1) Schedule (12A) Local Government Act 1972, in this case namely Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Council endeavours to be as transparent as possible and applies a public interest test when considering the justification for exemption. This briefing note has been provided in Part I to ensure as much debate as possible can be in the public domain without disclosure of that commercially sensitive information.

Options

In accordance with Procedure Rule 33 The Policy and Resources Committee shall consider the matter; decide to endorse the original Committee decision; or may substitute a different decision in place of the decision of the Committee. The decision of the Policy and Resources Committee on the matter shall be final.

Background

The Covid-19 pandemic has had a significant impact on the council's budgets and its medium-term financial strategy. It has also adversely impacted some of the council's contractors.

The *Strategic Plan Review – Update on Priority Milestones* report to Policy and Resources Committee on 16 September 2020 forecast (at paragraph 2.5) a budget gap of £3.3m in 2021/2022, after using reserves to fund the deficit in 2020/2021.

In this context, as part of a wider Council led review of priorities and budgets, Policy and Resources Committee on 16 September 2020 noted that the subsidy to the Hazlitt was still sizeable and asked Economic Regeneration and Leisure Committee (ERL) to consider the Theatre's contribution to the town centre economy and alternative options for sustaining the theatre or alternative uses of the asset.

If the current conditions continue the Council would have paid Parkwood Theatres £243,960 by March 2021 - effectively paying for a closed Theatre. The Council also agreed to increase its support in during the first lockdown to assist Parkwood Theatres so that the theatre would be able to re-open post lockdown. Unfortunately, this has not been possible and Parkwood Theatre's endeavours, supported by the council, to secure funding via the Cultural Recovery Fund have not been successful. The theatre therefore has remained closed.

There remains a great deal of uncertainty regarding when or if these conditions will change. Continuation of these arrangements can no-longer be considered good value for money for the council or the Maidstone tax payer and as the basic commercial assumptions of the contract with Parkwood are no longer viable, ERL Committee have reluctantly agreed to negotiate a termination of the contract with Parkwood Theatres.

ERL's decision on 12 November 2020 was to terminate the contract with Parkwood Theatres and return the building to the council's own control. With a commitment to considering alternative uses in the short and medium term.

Economic Impact

Economic impact of theatres is calculated using the Shellard Model, which calculates the direct and indirect contributions that a theatre makes to the local economy. Under normal operating conditions this model gives a positive economic impact of the Hazlitt Theatre of £5,152,761 into the local economy per annum.

Normal contract arrangement

The council contracts Parkwood Theatres to run the Hazlitt theatre, which includes providing a commercial theatre for professional acts, a community theatre for various amateur groups and studio space for dance groups. The council pays Parkwood Theatres £243,960 per annum, or £20,330 per month, to provide these services. This fee increases year on year in line with inflation. The contract with Parkwood Theatres began in October 2013. It is due to run until September 2028.

Interim contract arrangement

The Hazlitt Theatre closed on 17 March 2020 because of the Covid-19 pandemic. The building has been put into hibernation and all but two members of staff are furloughed. These two staff members are looking after the building and dealing with all enquiries from customers and promoters.

The council agreed to support Parkwood Theatre in April 2020 by increasing the monthly payments by £3,100 per month for April to September 2020 inclusive. This extra £18,600 contract relief supported the theatre to remain ready for re-opening. At the time of this agreement it was anticipated that during or after a six-month period the theatre would be able to re-open and the increased payment supported that intention. After an initial re-opening to community dance groups and youth theatre the second UK lockdown has now forced the venue to close again for at least another month.

Arts Council Recovery Fund

The government's Culture Recovery Fund, which stems from the £1.57bn relief package that was announced in July, was for local theatre and could be used to mitigate the impact of Covid-19 over the period from October 2020 to March 2021. Parkwood Theatres submitted a bid to the Culture Recovery Fund but were not successful.

Future contract arrangements

With social distancing in place it is not commercially viable to recommence performances at the Hazlitt Theatre. The second lockdown is now also preventing community activities that had restarted. The basic commercial assumptions that underpinned the viability of the original contract at the Hazlitt are no longer the case and this situation looks likely to continue. It is not known when, or if, the conditions for sustainable local theatre will return.

Chief Executive (as Proper Officer)
Maidstone Borough Council
Maidstone House
Maidstone
ME15 6JQ

15 November 2020

RULE 33 – REVIEW OF SERVICE COMMITTEE DECISIONS

ECONOMIC REGENERATION & LEISURE ("ERL") COMMITTEE: HAZLITT THEATRE

We write to request that the decision made by the ERL committee during closed session on Thursday 12 November 2020, at Item 16 & concerning the Hazlitt Theatre, be referred to the Policy & Resources Committee for review. Our reasons for requesting this review are: -

1. The Hazlitt Theatre is a valuable community asset. It features in many peoples' memories of Maidstone and family life. It is essential to the sense of Maidstone as the County Town and provides valuable facilities for all manner of activities. Once the pandemic is behind us, the people of Maidstone want it re-opened.

2. The ERL committee had only a short period - a matter of a couple days it appears - in which to consider the papers relating to the Hazlitt. This was alongside a substantial report, also issued only a few days ahead of the meeting, concerning options for maintaining the Museum service in the face of budget constraints; we understand this proved very time consuming for members prior to the meeting. It is possible therefore that any decision concerning the Hazlitt did not receive sufficient contemplation.

3. ERL members appear to have been unable to take soundings from their wider councillor colleagues, for example. Likewise, the fate of the Hazlitt had not, prior to Thursday's meeting, been subject to any form of public engagement or consultation.

4. The scale of public concern arising from press reports following the Council's press-release Friday evening has been massive. Within just twenty-four (24) hours, more than 2,300 residents had signed an online petition whilst 3,300 residents had joined a new Facebook group entitled "Save the Hazlitt".

5. The residents of Maidstone require assurance that their voices will be heard.

6. In our view, a sound decision by the Council is one that will, irrespective of what steps are taken in the interim to reduce costs whilst the theatre is closed, provide a viable basis for the Hazlitt to re-open once the pandemic is over. The Council and the Theatre Operators should ensure that there is a credible plan for doing this.

Signed:

[redacted]

Jonathan Purle
Bridge Ward (Con)

[redacted]

Ashleigh Kimmance
Heath Ward (LDem)

[redacted]

Lottie Parfitt-Reid
Coxheath & Hunton (Con)

[redacted]

Eddie Powell
Shepway South (Ind Maidstone)

[redacted]

Louise Brice
Staplehurst (Con)

[redacted]

Michelle Hastie
North Ward (LDem)

XX. HAZLITT THEATRE OPTIONS

The Leisure Manager introduced the report which had been produced following a consideration of the Council's Strategic Plan by the Policy and Resources Committee in September from which flowed several actions to inform the prioritisation required to enable the council to deliver services within budgetary constraints and respond to recovery from the COVID-19 pandemic. These included a review of the Hazlitt theatre.

The Theatre had been closed since the March 2020 lockdown period. It was hoped that the theatre would have reopened, with performances having been rescheduled to accommodate this. However, this had not been possible.

The Council and Parkwood Theatres, who hold the contract for the theatre, had entered into a 6-month interim arrangement, between April 2020 to September 2020, whereby the Council's monthly payments to Parkwood Theatres increased by £3.1k to allow the Theatre to re-open when feasible. Half of the additional funding had been used, with the remainder to be returned to the Council. The company's funding bid to the Cultural Recovery Fund had been denied and was in the process of appeal. The Council would be obliged to make the originally agreed monthly payments irrespective of whether the appeal was successful.

The Leisure Manager highlighted the issues of staff and building management in considering the contract's suspension or termination. It would be more cost effective for the Council to manage the building itself and re-examine the service provision in the future. The Head of Regeneration and Economic Development confirmed that discussions had taken place with different organisations concerning continued use of the building.

The Committee recognised that opportunities to resume services from the Hazlitt Theatre Complex would be considered in the future, given its importance to the Borough.

RESOLVED: That

1. It be recognised that subsidy paid to Parkwood Theatres to operate the Hazlitt Theatre is not sustainable under the Council's new Medium-Term Financial Strategy;

2. The Council should seek to reduce its monthly expenditure on the Hazlitt Theatre complex to a maximum of £8,630, that being the amount it would cost for the Council to mothball the building;

3. The Head of Regeneration and Economic Development enter into discussions with Parkwood Theatres and terminate the Hazlitt Theatre contract; and

4. Alternative uses, in the short and medium term, be looked into.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 21

Document is Restricted